

APRIL 25

1936

BUSINESS WEEK

BUSINESS INDICATOR



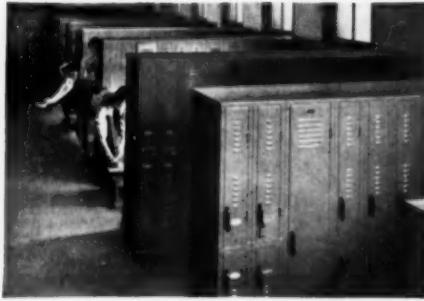
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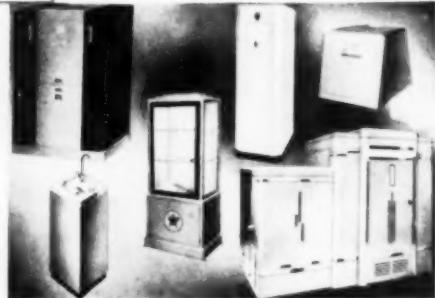
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Washington Bulletin

WASHINGTON (Business Week Bureau)—Hog-on-ice type of independence looms in Senate over weird, crazy-quilt House tax program. Roosevelt is delighted with House bill, thinks it good start on road to achievement of his pet aims—hitting bigness, revamping economic structure, reforming society. He sees prevention of "piled-up surpluses" as means to that end. However, even he is slightly concerned over congressional elimination of sure revenue-producing taxes of the excise (processing) variety.

Business will have first real chance to shoot at tax bill when it reaches the Senate Finance Committee next week. Only target until House Committee reported was Roosevelt's original suggestion. Now business can figure where shoe pinches.

Aimed at Stockholders

Excise taxes have many Senate boosters, but support is distinctly weakened as more senators begin to fear political repercussions. Whole measure is now aimed at corporation stockholders, big and little. House idea of exemption for corporations in debt is to take 22½% of earnings used for debt payment, instead of present 15%.

Long Wrangle Ahead

Long tax debate in Senate is now anticipated, with altercation between House and Senate to follow, making more difficult adjournment of Congress before national conventions.

No House Hitch-Hikers

Industries hoping they could get jump on competitors by thumbing ride on tax bill are disappointed in House draft. Example: Coal operators were eager for tax on fuel oil, but Pat Boland's plea was futile. No chance either for his separate bill.

Co-op Power—And Appliances

Rapid growth of cooperative buying movement is finding latest expression in tendency of rural electrification groups to take over appliance distribution where new lines are financed by REA. Morris Cooke, totally undismayed at possibility farm consumers may get their refrigerators at discount, refuses to interfere. He says appliances are outside REA sphere, and he's willing for cooperatives to be cooperative.

Up to the Court

Long-awaited Supreme Court appeal of Buzzard's Roost case, which carries torch for PWA power pro-

ECONOMY BACKFIRE

Handful of hot-headed Democratic congressmen, disappointed over patronage and disposed to cut Hoover's G-men appropriation to effect "economy," are in trouble with Jim Farley. Rub is that their proposal, while beaten, resulted in Vandenberg's offering to economize somewhere else. Suggested Tugwell's Resettlement, NRA's 2,422 survivors, and other political appointees. Farley doesn't like such talk.

gram, rides teeter-totter. Question: Will court see it through before recess, or will case lie over until next fall?

Lilienthal Leaving?

Washington can't believe report that David E. Lilienthal, TVA director, may depart for fresh fields. He likes his job, enjoys White House confidence, and considers TVA unsung by Supreme Court ordeal. Reappointment is expected when his term expires in June.

President Backs Drug Bill

Food and drug bill pushed by President, who is particularly interested in advertising section of measure, is showing more signs of life. Subcommittee is expected to report shortly.

Healey Bill Doomed

Healey bill, seeking to control hours and wages on government contracts, seems certain to die—much to relief of would-be government contractors.

Patman Loses First Fall

Prospects for Patman price discrimination bill may look "mighty good" to its sponsor, but his optimism must be discounted. Bill will not be brought up until the House has disposed of tax and relief bills, may not even get right-of-way then. House bloc, 60 strong, hopes to interest President, defer adjournment till vote.

But congressmen want to get home, and moreover, many just don't want to handle highly controversial bill in election year.

If Guffey Act Goes—

With Supreme Court decision on Guffey coal act imminent, Washington wonders about consequences if measure is outlawed. Wage contracts do not expire until next April, but drop in prices, one of expected consequences, would naturally hit high cost mines hardest, and these, ironically enough, are most highly unionized.

Balancing Act

Commerce Department's forthcoming report striking balance of international payments for 1935 will show "U. S. is still a creditor nation and very much so," says Dr. Amos E. Taylor, who compiled it. Which is interesting in view of story that report was held up for political reasons. Dope was it showed U. S. again debtor nation, which would have produced strong repercussions, especially on tariff, reciprocal trade agreements. Now Taylor says there's no significant change. Also denies anything mysterious in delayed publication. Just waiting for Treasury figures, he says.

Declaration Before Cooperation

Labor leaders fighting for industrial, as against craft, unions will cooperate with old-line group for organization of steel workers, if Committee for Industrial Organization, John L. Lewis's gang, lays down its conditions of cooperation. This may advance cause of industry unions ultimately, but will delay unionization of steel business.

Winter Book

Administration optimism has been leaping skyward since Illinois primary vote. One enthusiastic New Dealer offered a friend even money he could not name six states which would go Republican. Then by the much favored (in New Deal circles) sliding scale, offered five-to-one his friend could not name ten! The friend took this one, naming Maine, Vermont, New Hampshire, Massachusetts, Rhode Island, Connecticut, Delaware, Pennsylvania, Ohio, and Michigan. In race track circles we speak of that sort of thing as a parlay!

More of Less

Half a million more farms than in 1930, says Agriculture Department and new industry—that of not raising crops—prosper. Beg pardon, it's "not eroding soil" now.

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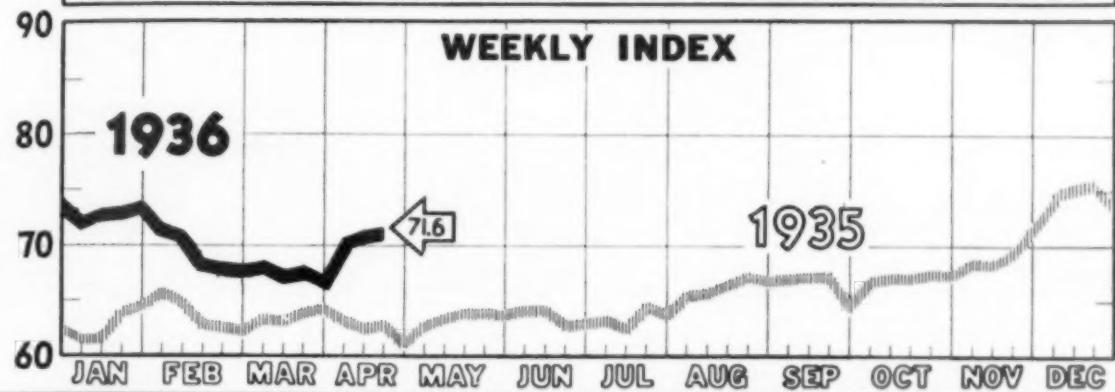
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BUSINESS WEEK'S INDEX OF BUSINESS ACTIVITY



BUSINESS WEEK INDEX

Latest Week	Preceding Week	Month Ago	Year Ago	Average 1931-35
*71.6	†71.3	67.9	62.8	63.7

PRODUCTION

★ Steel Ingot Operation (% of capacity)	70.4	67.9	53.7	44.6	38.9
★ Building Contracts (F. W. Dodge, daily average in thousands, 4-wk. basis)		\$7,626	\$6,754	\$4,782	\$6,262
★ Bituminous Coal (daily average, 1,000 tons)	*1,221	†1,234	1,250	922	919
★ Electric Power (million kw.-hr.)	1,915	1,934	1,862	1,702	1,581

TRADE

Total Carloadings (daily average, 1,000 cars)	104	102	103	98	98
★ Miscellaneous and L.C.L. Carloadings (daily average, 1,000 cars)	71	72	69	67	68
★ Check payments (outside N. Y. City, millions)	\$3,895	\$4,060	\$4,326	\$3,814	\$3,470
★ Money in Circulation (daily average, millions)	\$5,895	\$5,916	\$5,857	\$5,517	\$5,373

PRICES (Average for the Week)

Wheat (No. 2, hard winter, Kansas City, bu.)	\$1.04	\$0.99	\$1.05	\$1.07	\$0.73
Cotton (middling, New York, lb.)	11.78¢	11.73¢	11.46¢	11.84¢	9.35¢
Iron and Steel (Steel composite, ton)	\$33.09	\$33.11	\$33.05	\$32.31	\$30.82
Copper (electrolytic, Connecticut Valley basis, lb.)	9.500¢	9.333¢	9.250¢	9.000¢	7.635¢
All Commodities (Fisher's Index, 1926 = 100)	82.6	82.5	82.5	81.5	69.7

FINANCE

Total Federal Reserve Credit Outstanding (daily average, millions)	\$2,482	\$2,485	\$2,491	\$2,481	\$2,028
Total Loans and Investments, Fed. Res. rep'tg member banks (millions)	\$21,796	\$21,731	\$21,637	\$19,928	\$19,423
★ Commercial Loans, Federal Reserve reporting member banks (millions)	\$5,076	\$5,074	\$4,981	\$4,957	\$5,939
Security Loans, Federal Reserve reporting member banks (millions)	\$3,294	\$3,295	\$3,269	\$3,131	\$4,592
Brokers' Loans, Federal Reserve reporting member banks (millions)	\$1,242	\$1,197	\$1,179	\$965	\$1,054
Stock Prices (average 100 stocks, <i>Herald-Tribune</i>)	\$117.84	\$119.78	\$118.48	\$98.26	\$99.74
Bond Prices (Dow, Jones, average 40 bonds)	\$101.92	\$102.34	\$102.21	\$95.02	\$87.09
Interest Rates—Call Loans (daily av'ge, renewal) N. Y. Stock Exchange	1%	1%	1%	.4%	1.4%
Interest Rates—Prime Commercial Paper (4-6 months) N. Y. City	1%	1%	1%	1%	2.1%
Business Failures (Dun and Bradstreet, number)	174	215	218	253	435

* Factor in *Business Week* Index *Preliminary †Revised.

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Business Week

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The Business Outlook

FAVORABLE factors coming to light this week reinforce the belief that the second-quarter business volume will be the best since at least the middle of 1931, and that manufacturing activity will be the best since 1930. Comparisons with a year ago should prove even more favorable than they did in the first quarter. In part this is because in the second quarter of 1935 there was a lull.

This week steel operations climbed above 70% of capacity, coal production continued to rise well above last year's level, power production remained at a high mark though warmer weather should force some decline in the coming weeks, and carloadings kept getting heavier as traffic recovered from the jolt the flood gave it.

120,000 Autos a Week

Assemblies in Detroit have been stepped up to 120,000 a week, a pace not seen in Detroit since 1929. Automobile manufacturers report extraordinary sales gains over last year, despite the unfavorable weather this spring, and are working hard to cash in on the unexpected consumer demand. The veteran's bonus funds are expected to carry the automobile buying impetus well into the summer.

Bigger Than They Thought

March automobile assemblies were apparently higher than the trade estimated at the time, for the final figures total 442,545, only a few thousand cars below a year ago. First-quarter production in the United States and Canada reached 1,127,331 cars and trucks, a 1.7% gain over the same period of 1935. April, and perhaps May, now seems good for 500,000.

Appliances Speed Up

The electric appliance industry is also speeding up activity to meet a bigger demand than it expected. One important manufacturer of refrigerators built up a backlog of several thousand new models, which in six weeks of selling have already been exhausted. The company's executives expect the industry to make 1,800,000 refrigerators this year, against just under 1,600,000 in 1935.

Farm Refrigerators Gain

Manufacturers of oil-burning refrigerators, which are widely used in rural areas beyond the reach of electric-power lines, report similar large gains in sales this spring over last year. One Cleveland company is selling 86% more oil burning refrigerators this year than last.

Washers, Ironers Go Up

Household washing machine and ironing machine manufacturers broke all records in their March shipments.

28% EARNINGS GAIN

Business Week's compilation of first-quarter earnings now covers 124 companies, whose net profits were \$109,044,449, a 28% gain over the first quarter of 1935. While such a total conceals individual differences in profit trends, the over-all increase is better than was expected after three years of gains.

Washers gained 36% over February sales; ironers gained 57%. Southern states have been heavy buyers of both, and the manufacturers are particularly encouraged by this because the South has been the stronghold of manual washing, largely because of the cheapness of labor.

Business Will Build

An important revival of industrial and commercial building is at hand, though some quarters are holding contemplated projects in abeyance until the tax bill is clarified. Commercial contracts of more than \$52,000,000 have been awarded, a 74% gain over a year ago, while industrial building contracts amount to \$90,000,000, a 105% gain.

\$6,000,000 Chemical Plant

This week, Union Carbide and Carbon announced a \$20,000,000 construction program, of which \$6,000,000 will be used for a new chemical plant in the Southwest. The first week in May, Clarion River Power Co., an affiliate of the Associated Gas and Electric system, will ask the Federal Power Commission for permission to build two large power projects of 226,000 hp., costing \$41,000,000.

Machine-Tool Prosperity

Machine-tool builders finished the first quarter at 109% of the 1926 level, the best for any quarter since 1929. The trade looks forward to a continuance of good volume in the second quarter, when some of the

business from automobile manufacturers should be placed if an early start is to be made on 1937 models.

Air-Conditioning Gains

A new series of figures is now becoming available on the air-conditioning industry; it is considerably broader than the old series. February orders, recently made public by 98 manufacturers through the Department of Commerce, amounted to \$2,611,241, a 13% increase over January. No doubt further gains were registered in March and April, as occasional warm days reminded the public of summer's discomforts.

More Factory Employment

Factory employment last month gained less than might have been expected if floods in the industrial East had not interfered at just the time the Department of Labor took its monthly survey. Nevertheless, employment in March stood only about one point below the former high of October, 1935, while payrolls made a sharper gain because of an increase in working hours. Since the automobile industry is operating at a much better pace than it did in March, factory employment today is no doubt at a new post-depression high.

Making More Paper

The paper industry has been stepping up its production for several months, though March saw a temporary disruption, due to floods. Paper mills are operating at nearly 83% of capacity, against 76% in January and 70% a year ago. Paperboard mills are up to 70%, against 60% in January and 61% a year ago. Trade observers expect the paper industry to spend \$100,000,000 this year for new plants, new machinery, and modernization to reduce unit cost and improve product quality.

Railroads Buy Steel

The feature of the steel markets this week was the heavy buying by the railroads. Orders for 75,000 tons of rails and 3,600 freight cars were booked. The stockholders of the American Locomotive Co. learned that in mid-April, orders were on hand for 50 engines, against 14 a year ago.

More Foreign Trade

Our foreign trade in the first quarter showed increases of 10% in exports and 17% in imports. We bought more goods abroad in the first three months of 1936 than we sold abroad—more by over \$5,387,000. March export gains over February were due to agricultural products; March import gains were due to sugar, textiles, wool, hides, furs, paper base stocks, and newsprint.

APRIL 25, 1936

The Tax on Business

Complicated House bill swallows President's theories on surplus-soaking in one blind gulp but excise taxes seem to be out—even in the Senate.

WASHINGTON (Business Week Bureau)—Eighteen pages of language to describe the tax on corporations, as against four lines in the drastic 1934 bill—algebraic formulas and decimals carried to eight places—no estimates by the Treasury as to what the new bill, as amended, will yield—different classifications for banks, for railroads, for companies in debt, for foreign companies—loose definitions, all the old complications left in and new ones added—that is the new tax bill now being rushed through the House.

Hits Holding Companies

Roughly, the bill hits intercompany dividends (holding companies); provides a 35-million-dollar floor tax refund to processors; retains the present 15% corporation income tax for banks and insurance companies instead of the new sliding rates; imposes a 22½% corporation income tax on earnings used to pay debts; applies a flat 15% rate on corporations which are in the receivers' hands; cuts the present capital stock tax in half for this year and abolishes it after June 30; repeals present excess profits tax after the present taxable year; imposes a flat rate on dividends to foreign stockholders, and removes the exemption of dividends from the present normal individual income tax.

As expected, the House did not include excise taxes in its bill. But, as not expected, the Senate, which everyone had expected to write them in, is also now veering away. So the present prospect is that all the burden will be placed on corporations—and corporation stockholders, who must henceforth pay 4% on all dividends, as well as surtaxes, if their incomes are big enough.

There is no trick wording in the bill, just a mess of complexities. It goes after the personal holding company drastically—for example, if in the last half of a taxable year more than half its stock is owned by not more than five individuals. The drastic provision about rents which was stricken from the 1934 bill has come back. This will have a far-reaching effect in the real estate field if enacted. And if you think making out an income tax return was tough before, look at this paragraph:

"If the dividend credit is a percent-

age of the adjusted net income which is less than 55 (and such percentage is not shown in the foregoing table) the tax shall be a percentage of the adjusted net income equal to the sum of 15, plus one-half of the amount by which 55 exceeds the percentage which the dividend credit is of the adjusted net income."

The vast complications of the gradu-



Underwood & Underwood
I WANT THE JOB—See, Ickes (bottom) wants to head the \$87,000,000 housing program proposed by Sen. Wagner (top) and now before the Senate Labor Committee headed by Sen. Walsh (center). Business men hope that the goal, recovery, won't be lost sight of in the maze of politics.

ated tax on corporation net incomes baffles description—by most House members anyhow. There are two sliding scales with variations on each. The first applies to corporations with adjusted net incomes of less than \$10,000 and runs from a 0.1% tax on the net of those withholding 1% of income from dividends up to 29.5% for those leaving 70% of the net undistributed. The second hits corporations with incomes above \$10,000, starts at 0.4% for those leaving 1% of the net undistributed, and rises to a 42.5% tax on net incomes of those withholding 57.5% from dividends.

Higher Mathematics

Combinations of the two schedules may be used by companies whose net falls between \$10,000 and \$40,000. Furthermore, there are alternative provisions whereby the harassed accountant may compute the tax on the basis of dividends paid out rather than net profits undivided. The minority members of the House Ways and Means Committee found a word for these mathematical gyrations. It was, of course, the word that they applied to the whole bill—"farce."

It is generally figured, by horseback or curbstone guesses, that the new bill would increase federal revenue somewhere between 700 and 800 million dollars. But since the Ways and Means Committee began its changes, Treasury experts have made no calculations.

Yes and No for President

The bill carries out with remarkable fidelity the underlying ideas of President Roosevelt's tax theory. It brushes aside the President's own recommendation for excise taxes, which had been reinforced by ardent pleading for them by the Treasury experts. The answer to this, of course, is politics. The strong probability now is that the senators will be just as loath to insert excise taxes as the House was.

The committee surprised many interested in pleading for corporations deeply in debt, or bound by debt requirement provisions, by its treatment of them. Actually a corporation today with fairly large earnings, but a big debt, pays 15% of its net earnings to the Treasury. Under the House bill it will pay 22½% of such earnings as are used for debt payment, so that its tax on these payments is boosted 7½%—less, of course, one-half of the capital stock tax, and less the excess profits tax, if any is now paid.

With all the shooting at the bill it

is hoped that the Senate will make at least some changes both to clarify it and to moderate its inequities. But don't hope for too much. Treasury experts say they should have a year in which to plan the bill, instead of a few weeks.

Power X-Ray

Chicago conference studies government projects on cost basis.

POWER projects, private and governmental, were X-rayed this week at the thoroughly nationalized Midwest Power Engineering Conference, held at the Palmer House, Chicago, Apr. 20-23.

One high point in the discussion of government competition with the utility companies was a proposal by Frank D. Chase, president of the Frank D. Chase Co. and president of the conference, that a permanent Board of Public Works be set up to determine the need and adequacy of any public works project.

Arguments for such expert supervision might be taken from comparisons by Frank F. Fowle, president of Frank F. Fowle and Co., of the cost of power developed in hydro-electric plants (such as the government has built) and transmitted over long distances with cost of power developed in modern steam plants located near the market.

Mr. Fowle stated that a modern hydro-electric plant built at water site at an average cost of \$250 per kilowatt of installed capacity would deliver power at 6.30 mills per kw.-hr., while a modern steam plant erected at the coal mine at a cost of only \$85 per kw. of installed capacity could do the same at 3.97 mills.

On comparable costs of transmitting power as current and as coal, he cited such figures as these:

Power (generated at 100% of plant capacity, and allowing for 10% energy loss in transmission) costs 1.65 mills per kw.-hr. when transmitted 50 miles, 1.92 mills for 100 miles, 2.42 mills for 200 miles.

Cost of transporting coal to generate power, allowing 1.18 lb. per kw.-hr., is 0.64 mills per kw.-hr. for 50 miles, 0.74 mills for 100 miles, 0.94 mills for 200 miles.

Thus Mr. Fowle argued against the government water power projects that coal for making power can be transported 540, 670, and 915 miles for what it costs to transmit already made power 50, 100, and 200 miles, respectively.

While verbal fireworks were in progress at 14 conference sessions, sparks were flying in many testing booths of power house and transmission equipment, supplies and accessories at the International Amphitheatre, where 110 manufacturers joined in staging the 7th Midwest Power and Engineering Exposition.

Peace on Pacific

Longshoremen and employers to let judge handle disputes.

PACIFIC coast shipping, faced with what had all the markings of a major labor dispute, cleared the slate completely this week. Shipowners and longshoremen buried their hatchets so deeply that business hopes were buoyant for a long term of peaceful commerce.

Under the terms of the agreement signed by San Francisco waterfront employers and by Harry Bridges, chief of the striking dock workers, disputes in the future will not stop work. Instead, Federal Judge M. C. Sloss, who holds the confidence of both sides, will settle them through arbitration.

Even more important, in the eyes of many manufacturing industries which have suffered from union tieups, is an agreement by Bridges' group that "hot cargo" will be handled if Judge Sloss says to handle it. This means that non-union labor somewhere along the line can be used without tying up the docks—at least not without notice of dissatisfaction and consequent arbitration.

On the Atlantic coast, meanwhile, the seamen's strike led by Joe Curran has gone into its second month, has been laid before Sec. Perkins and Sec. Roper, and seems unlikely to cause conflagrations. The strike is based on a demand for \$5 more pay monthly for stewards, and overtime allowances. It is not recognized by International Seamen's Union.



Keystone

PARTING—I. Lamont Hughes (at right) resigns abruptly as executive vice-president and director of Carnegie-Illinois Steel, of which Benjamin Fairless (left) was recently made president. Pittsburgh is not surprised. Hughes, a great operating executive, was a stalwart in the old setup of Big Steel. From presidency of Carnegie he was shifted to executive vice-presidency of the merged companies which Fairless, an "outsider," headed. The Hughes resignation is another manifestation of the searching reorganization which U. S. Steel is undergoing.

Oil Gets a U.S. Grand Jury

Independent marketers stir up a federal investigation of majors' marketing practices. Results may be used to hurt Landon in campaign.

INDEPENDENT gasoline jobbers, wearied of their rôle as the orphan child of the oil industry, have engineered a federal investigation of marketing. Attorney-General Cummings announces that a special grand jury will start work at Madison, Wis., on May 4, investigating alleged price-fixing and other unfair practices.

Here is another of those internal-industrial rows that encourage the government to move a little closer with regulation. Federal action follows friction between the independents and the leading oil companies in many states. At its convention last October the National Oil Marketers Association (independents) demanded that Uncle Sam get going on such an inquiry as the one now scheduled.

Paul E. Hadlick, secretary of the association, hails the investigation as the first real effort "by the Department of Justice to enforce the anti-trust laws

against the major oil companies since the Standard Oil dissolution decree" in 1911.

Mr. Hadlick charges that the big companies, dominated by the Standard group, have been tightening their grip on marketing all the way to the consumer. He declares that the Standard group "has been steadily driving the independent marketer out of business by fixing the price at which he must buy petroleum products and maintaining, through subsidiaries in the marketing field, retail prices which do not leave the independent marketer sufficient margin of profit."

The federal move follows investigations in Michigan and Wisconsin, and credit for all these is claimed by the aggressive Mr. Hadlick in behalf of his association.

Assuming that the government can convince the grand jury that it has a case, the situation assumes as many

angles as a book on geometry. The independents were roused to anger during NRA; the implications project themselves into the future relations of the government with the big companies.

The independents charge that Secretary of the Interior Ickes and his NRA Oil Administration were much more interested in big producer-refiner-marketers than in protecting the 10,000 small jobbers. They complain that Ickes' important committees were dominated by executives of leading companies, who proceeded "to stabilize the smaller units out of existence."

A common allegation is that the majors can make their profit out of production, refining, and transportation, while the jobber has had to live on a diminishing margin between the price at the tank car and the price at the gasoline pump.

Say Open Market Is Closing

According to the independents, since NRA it has become difficult to buy gasoline on the open markets; the majors buy up surplus, the independent refiners sell to the majors, and the consumer market is increasingly restricted by the majors' contracts for supplying huge gallonage to the government and large commercial users at specially low prices.

The political possibilities of the rumpus are highly entertaining. A thundering indictment of the big oil companies might furnish Mr. Roosevelt with effective campaign ammunition. Testimony that can be used to smear the oil industry might reflect indirect discredit on Gov. Alf Landon, the independent oil producer who may get the Republican presidential nomination.

Also involved is the political future of Sec. Ickes. The oil industry is con-

vinced that he wants to put it under complete government control, with himself as dictator. On the other hand, the investigation may affect Mr. Ickes' position in the cabinet. Several members of the President's official family heartily dislike the iron-jawed, out-

spoken Secretary of the Interior; and one of these is said to be Attorney-General Cummings. If the investigation uncovers practices that reflect on the secretary's rule as oil czar under NRA, it might destroy hard-boiled Harold's chances for a second cabinet term.

Anti-Chain Tax Helps Victim

Standard Oil of Indiana finds that it makes more money since it had to cease operating Iowa outlets. Other chains may follow its example.

It's an ill tax wind that blows nobody good. Even Iowa's anti-chain legislation has some merit, for its intended victims, as Pres. Edward G. Seubert of the Standard Oil Co. of Indiana implied this week in his annual report to stockholders.

The Iowa law forced Standard to abandon the 350 outlets it owned there and to lease them to individuals so that they might be operated as separate outlets not subject to tax (*BW*—Jun 1 '35, p10). It also forced the company to modify lease arrangements on more than 500 other outlets so that the stations could be turned back to the owners.

In effect, the company was thus restricted to wholesaling and other service functions. But instead of losing money, the company actually sold more of its products, and presumably at a better net return, through these same stations. This was the result even though the station owners were completely free agents, able to buy their supplies from whom they pleased.

So successful has the operation proved that Standard is revamping its

marketing policy throughout its entire distribution area as rapidly as possible, transforming itself from a corporate into a voluntary type of chain.

At the turn of the year, Standard had already reduced the number of owned or controlled service stations from 11,685 to 7,576, and it is estimated that there are almost 6,000 former Standard outlets now being operated independently. The total number of independents served by the company is well above 20,000. During the transition, the company increased its volume of business from \$276,000,000 in 1934 to \$290,000,000 last year.

Stores to Managers

Meanwhile, some other chains are considering similar plans, some putting them into actual operation. Court approval has opened the way for the James Butler Grocery Co. of New York to accomplish its plan for selling its stores to their managers (*BW*—Feb 29 '36, p12). Already 42 stores have been sold for a total of \$70,076, and contracts have been signed with 300 other managers and with 100 independent stores that will come into the group.

Although the Butler program has been proposed primarily as a solution of the company's financial difficulties, the protection it affords against discriminatory state taxation and such federal legislative threats as the Patman-Robinson bill has been well considered by the Butler executives.

Fearing lest some legal means may shortly be found to tax even participation in voluntary groups, a good many other chains are looking long and steadily before they leap, fighting existing tax laws every inch of the way. Successful in their fight in the Florida courts to eliminate the state graduated gross receipt tax, they are now concentrating on a similar tax in California, where a state referendum will be taken in November (page 10), and on the Iowa graduated tax.

Last week, the Supreme Court agreed to review the Iowa suits, which were brought originally by the Great Atlantic & Pacific Tea Co. and the Walgreen Co. The Kresge, Liggett, National



TO CARRY A RIVER—Sections of the huge concrete pipe which will carry Colorado River water west to Los Angeles are so large and heavy (42 tons each) that special trailer equipment had to be made to transport them to the job. They will form the world's largest concrete pressure line, part of the Metropolitan Aqueduct which will round out the great Boulder Dam project.

Tea, and Thrift-Way chains have been listed as interveners.

In addition to a graduated license fee, ranging from \$5 for each store in excess of one and less than ten, to \$155 a store for those in excess of 50, the Iowa act also provides a gross receipts tax, which is graduated from \$25 for stores whose receipts do not exceed \$50,000 to \$1,000 for each \$10,000 of gross receipts in excess of \$9,000,000.

The act has been repudiated in part by the lower courts, and the State Board of Assessment has taken the appeal to the Supreme Court, where chains are hoping for a sweeping victory in view of the court's action in outlawing the Kentucky gross receipts tax.

More Chain Strategy

Campaign against California tax is carried to people by a weekly hour on the radio.

FURTHER chain-store strategy in rallying California opinion against the state multiple store tax act, which will be put to a referendum vote next November, was revealed last week when, over a state-wide radio hook-up, "California's Hour" was inaugurated by the California Chain Stores Association.

Each weekly broadcast will be dedicated to a particular community, from which amateur and professional talent will be drawn. In this way a local appeal will be made to all the principal cities of the state. A strong newspaper schedule in weeklies and dailies will support the radio effort.

Besides making direct campaigns of education, the chains are expected to emphasize their value whenever possible by such practical and spectacular demonstrations as the recent offer to rescue the growers and packers of canning peaches from the threat of a huge carryover (*BW*—Apr 4 '36, p24).

The independents' counter campaign to retain the tax will be made through the Anti-Monopoly League, which is now engaged in preliminary organization work and in raising funds.

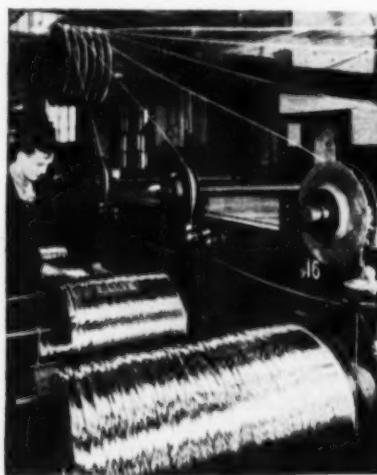
Insull on the Air

ABC network, headed by WIND, is launched by a well-known promoter and impresario.

LAST Saturday witnessed the formal public reappearance of Samuel Insull in his two favorite rôles—promoter and impresario. The Insull-sponsored Mid-western radio network (*BW*—Jan 18 '36, p10), Affiliated Broadcasting Co., finally began to vibrate the ether waves through 20 radio stations. The official listing is headed by station WIND at Gary, Ind., intended to serve the Chicago

area. ABC headquarters is located in the tower of the Insull-inspired Chicago Civic Opera Building. All very appropriate.

The date of the launching had been set ahead to coincide with the opening of the Chicago baseball season because the play-by-play broadcasting is to be one of the sales arguments for ABC programs. While this rushing of the ABC season is held responsible for the fact that, so far, only 20 broadcasting stations (in Illinois, Indiana, Iowa, Minnesota, Missouri and Wisconsin) have signed with promoter Insull, the galaxy of talent



Business Week
MILE POST—It is estimated that the average farmer can save from \$30 to \$50 a year in fence depreciation costs, if he uses wire like that Bethlehem Steel Co. is turning out in its new Cambria Plant, formally opened last week in Johnstown, Pa. The wire is bethanized (given a pure zinc coating by a revolutionary method), then drawn through dies to provide a mirror finish. The new mill is part of Bethlehem's \$30,000,000 program concentrated on consumer goods.

that the network boasts is evidence that Insull has done a notable job.

Those who know the broadcast situation in the Mid-West and have followed the development of this latest Insull venture say that there is a good chance of its proving successful and profitable so long as it is not extended beyond the sphere of Chicago influence.

They point out, however, that, in the reported absence of any ABC financial interest in affiliated stations, the programs must justify each station's tie-up with the network. Rates have been set at \$1,600 per hour for the whole net, \$960 for 30 minutes, \$528 for 15 minutes. For those who wish to use only part of the net, the 20 stations are separated into three sections, and each section has its separate rate.

With Samuel Insull heading the list as president, ABC personnel includes Ota Gygi as vice-president in charge of operations and George Roessle as national sales manager.

New G.M. Radio Plant

Corporation will make sets for own cars only.

With the demand for car radios steadily rising, the General Motors Corp. has acquired the Kokomo, Ind., plant of the Crosley Radio Corp. and will operate it as its Delco Radio Division. It will build radios for installation as original equipment in General Motors cars and for its dealers to sell to car owners.

General Motors is doing this because (a) it will have closer control over the quality of radios going into its cars, (b) the action is in line with plans for diversification of parts sources and for decentralization of operations, and (c) car radio sales have sharply increased, so that radios are now being put in 25% to 35% of new cars.

Radios will not be standard equipment in 1937 cars. There are still too many people who don't want them, and prices are so competitive that their use as standard equipment is prohibited.

The rapid growth of car radio sales in the past year is partly attributed to mechanical improvement—better selectivity and tone, longer-range reception.

General Motors will not make all the radios for its cars; it will continue to buy from outside sources. It has been buying from Crosley and Grunow. General Motors will not make radios for the general market nor for outside dealers.

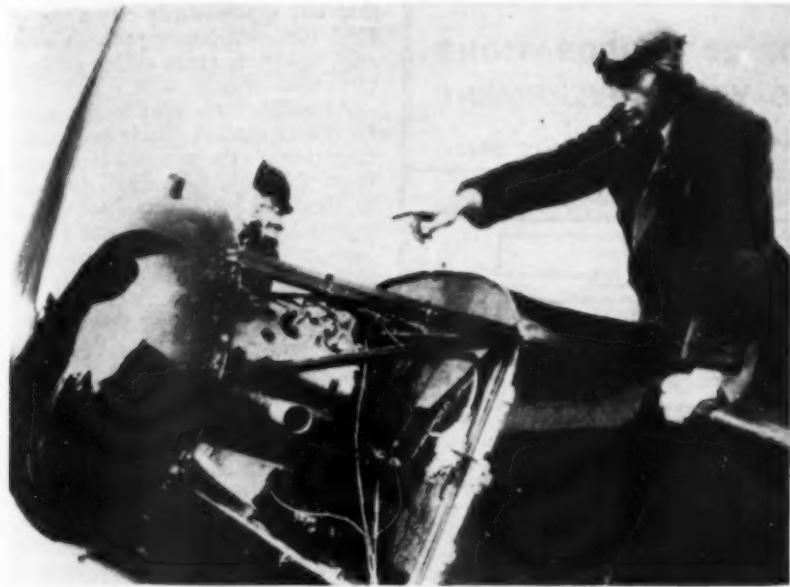
Best Broadcasts

Women's National Radio Committee names four prizewinners.

To Fleischmann Yeast for its Rudy Vallee Varieties as the best non-musical program; to Cities Service for its light music program with Jessica Dragonette, best in its field; to the League for Political Education for the NBC Town Meeting of the Air, best educational program; to the Columbia Broadcasting System for its "Wilderness Road," best children's program, the Women's National Radio Committee this week made its second annual awards.

The first two programs, broadcast over NBC, are sponsored; the last two are sustaining. No award was made in the serious music classification; although the General Motors concert program again received a big popular vote, the committee judges decided that it had slipped below last year's standard. Features such as the CBS broadcasts of the New York Philharmonic Orchestra were ruled out of consideration, for the awards were restricted to programs especially designed for radio.

At the annual luncheon, the committee made clear that it distinguished between "most popular" and "best" broadcasts.



FLYING AUTOMOBILE ENGINE—Approved by the Department of Commerce, a low-priced monoplane using a converted Ford V-8 engine is to be marketed by Arrow Aircraft Corp. of Lincoln, Neb. David Anderson, chief engineer for Bohn Aluminum and Brass Corp., of Detroit, is credited with converting the engine. The plane will sell for around \$1,500 at first, but with volume production it is expected that the cost will get closer to the \$700 mark set by the government as a goal for manufacturers. *Acme*

Yes and No on Railroads

Here are some significant points about ICC approvals and disapprovals. Eastern passenger rates go down; freight surcharges remain; commission seems to oppose railroad purchase of truck lines.

WASHINGTON (Business Week Bureau)—Every executive should be interested in what the Interstate Commerce Commission has recently done and is about to do in regulating railroad passenger and freight rates and in restricting purchase of truck lines by railroads.

Here are the high points:

(1) The passenger fare reduction to a basis of 2¢ per mile goes into effect June 2, unless the objecting Eastern railroads appeal to the courts, and both the New York Central and the Pennsylvania are reluctant to do this. The ICC last week, by a close vote, rejected the petition of the Eastern roads (except the Baltimore & Ohio) for an 18 months' postponement and a test rate of 2.5¢ a mile. Reason: If this proposed reduction proved ineffective, it would give a black eye to all rate-cutting as an effective means of producing more revenue.

(2) In freight service, the commission is discouraging rate-cutting intended to take business away from trucks. In most cases it is not now permitting the railroads to put in rates on less than 30 days' notice.

(3) Its attitude toward the buying up of truck lines by railroads is unfavorable. In a case that independent truck-

men hope will establish a precedent, J. Edward Davey, chief of the finance section of the Bureau of Motor Carriers, has submitted an adverse report on the application of Pennsylvania Truck Lines, Inc., a Pennsylvania Railroad subsidiary, to buy the Chicago-Cincinnati Motor Freight Lines.

The Pennsylvania described the deal as part of its plan to build up a coordinated rail-truck service but muffed the ball in failing to submit proof that acquisition would promote the public interest. Pennsy's subsidiary was unable to show how customers of the independent line would benefit, as there are no definite plans to operate it any differently than at present.

(4) In the controversy over collection and delivery, truckmen will apparently be satisfied with nothing short of a Supreme Court decision on the right of the railroads to perform this service. Pending investigation by the commission of free pickup-and-delivery, with an allowance of 5¢ per 100 lb. to shippers who do their own hauling (*BW—Apr 4 '35, p3*), 33 Eastern roads have asked permission to start such service minus the allowance. Suspension of the original tariffs, the railroads argued, has laid

them open to constantly more aggressive truck competition.

(5) The freight surcharges, which have added approximately \$100,000,000 to railroad revenues during the past year, will probably be continued by the commission, which authorized the emergency rates in April under a 5-4 decision.

Doubts as to the wisdom of continuing the surcharges are likely to be compromised by limiting the term of application to a short period.

Surcharges Raised Revenues

Experience during the past year has confirmed the judgment of the majority in doubting shippers' arguments that a rate boost would not raise revenues, though the commission was unanimous in rejecting the railroads' petition for a 10% boost. The surcharges amount to 7% on carload traffic, less on merchandise traffic, with many exceptions.

Increasing traffic has raised surcharge revenues over the original estimate of \$85,000,000 (*BW—Apr 6 '35, p34*), and the ICC reported a short time before the railroads filed their petition for extension beyond June 30 that, on the whole, there had been little complaint from shippers.

The National Industrial Traffic League and other shippers' organizations object, however, contending that while the surcharges have produced needed revenue for the railroads, they have actually driven more traffic to trucks.

Shippers also charge that some of the surcharges discriminate between competitive products. The railroads claim that this has been corrected whenever it has been brought to their attention, but some revision by the ICC is likely.

“Private” FHA Plans

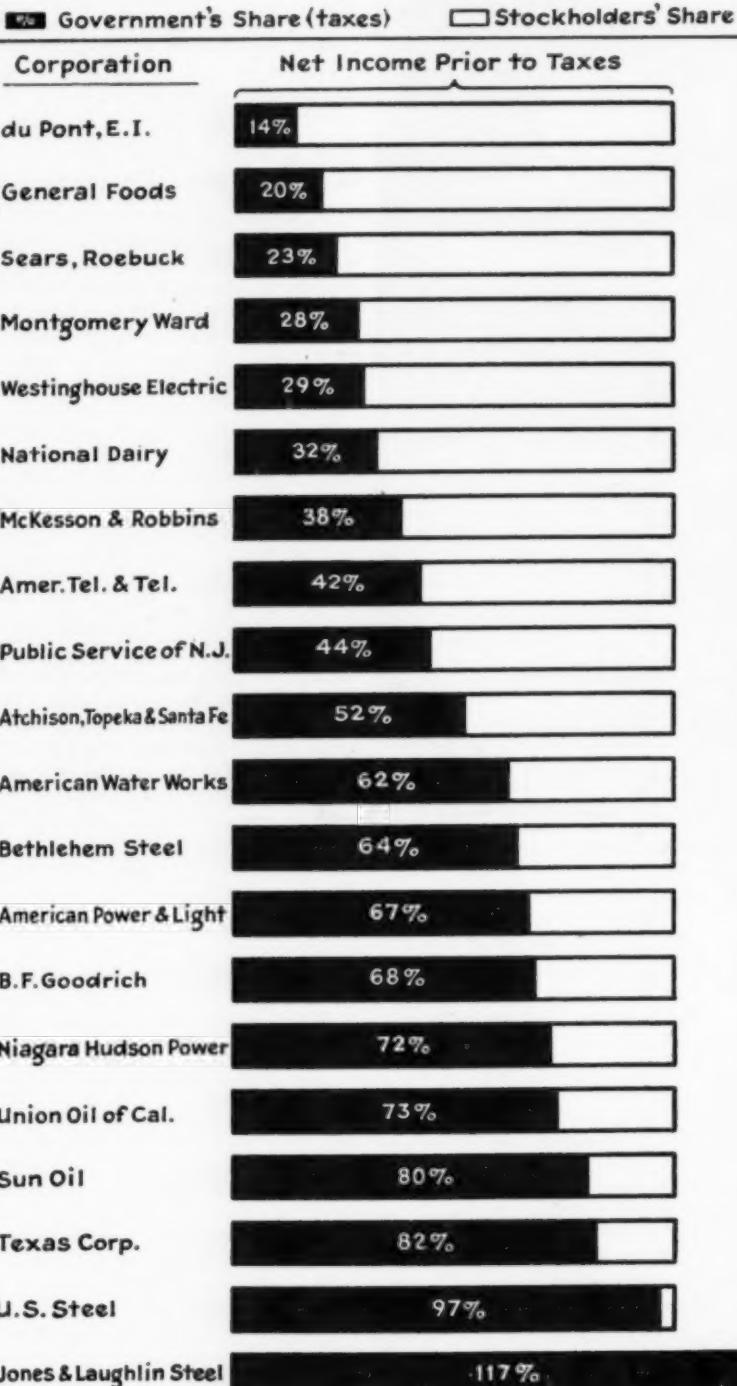
Changes in insurance rules hurt business, so substitute plans are being worked out.

THE changes made in the Federal Housing Act's modernization loan insurance provisions on Apr. 1 this year are beginning to pinch. Manufacturers and retailers already see a distinct slowing up in the electric appliance field because of the new FHA ruling that portable equipment is no longer eligible for instalment purchase insurance.

The refrigerator, washing machine, and electric stove trades, among others, would like to see the old liberal FHA back again, but since there is no encouragement forthcoming from Washington, interested manufacturers and dealers are wondering what they can do about it themselves.

In at least one place an answer is being worked out. The Consolidated Edison Co., the National City Bank, and leading electrical equipment dealers in New York have on the fire a scheme

HOW STOCKHOLDERS OF 20 CORPORATIONS SHARED 1935 EARNINGS WITH GOVERNMENT



SHARING THE INCOME—These 20 companies paid \$364,306,894 in taxes last year to federal, state, and local governments—practically a million dollars a day, leaving \$349,199,302 for distribution among stockholders or for surplus. Taxes, in other words, absorbed 51% of net income prior to taxes. Jones and Laughlin stockholders found their tax bill bigger than their income, and had to delve into surplus to foot the charge. On the more fortunate end of the line, reflecting substantial earnings and other favorable factors, stand the duPont shareholders who parted with \$10 millions of earnings for taxes but had \$62 millions left to divide among themselves.

that will approximately return the old FHA conditions under private sponsorship, at least so far as electric refrigerator manufacturers are concerned.

As outlined, the plan would provide for funds made available by National City, through the personal loan department. National City would thereupon be insured by Consolidated Edison against loss in amounts up to 20% of loans made on electric refrigerator instalment sales contracts.

Protection Is Just as Good

As far as National City is concerned, Consolidated Edison's 20% loss insurance is just as good as the government's was under the terms of the old FHA. And as far as dealers are concerned, any plan that will loosen up business is just as good as FHA's.

The new program may be even better, since it is bound to be more carefully handled than when the big honey pot of government money was available to the wildest kind of dealer sales.

Mechanical refrigerator, washing machine, and electric stove people are chiefly concerned about the loss of FHA eligibility on the smaller items, which were ruled out when the Apr. 1 extension of the act took FHA back to its original principles of insuring purchases of permanently attached equipment only.

But the automotive people are bewailing not only the loss of the portable equipment insurance, but also the cut from 20% to 10% in allowed insurance on \$2,000 to \$50,000 equipment.

The exclusion of portable automotive equipment is said to have cut 100,000 garages out of the market. Manufacturers and wholesalers of automotive equipment don't like this at all. They made a vigorous protest before FHA was changed. Now they are getting together and if everything goes well, they will emerge with finance companies of their own, operating an insured loan plan similar to the former FHA one.

New Clear Plastic

Acryloid is said to be tough and not to get discolored.

A NEW plastic, named Acryloid, is announced by Rohm & Haas, of Philadelphia. The name derives from the basic material, acrylic resin, which comes from ethylene. An original source is petroleum.

Special qualities claimed for Acryloid are clear transparency, retention of this transparency without discoloration upon aging, and unusual toughness. Its use in shatterproof glass for automobiles (now dominated by cellulose acetates) is naturally suggested. Other possibilities are airplane windows, complete airplane passenger compartment tops, optical lenses, and novelties.

"Unforeseen events...

so often change and shape the course of man's affairs"



"3 minutes I'll never forget"

"I FACED DEATH . . . we crashed . . . head on! I saw the other driver thrown clear. As I opened my eyes I saw him getting up. At least we were both alive. The next minute, with stunning suddenness, came a new shock as I realized the seriousness of my predicament. I was hundreds of miles from home . . . among strangers! Police would soon be here . . . Then, as quickly as it came, my worry vanished. I remembered that no matter where I might be the Maryland was no farther away than the nearest telephone or telegraph!"

Suppose *your* accident, too, should happen in a locality in which you are unknown. You may need a bail bond to escape being jailed. Or a bond to release your car pending settlement

of claim. But your Maryland service card is a passport to whatever help you need. Given you with your Maryland automobile liability policy this card commands 10,000 Maryland agents . . . assures protection in *every* State, in Alaska, Canada, Cuba, Puerto Rico, Canal Zone, Mexico, and Hawaii. When trouble comes, a glance at the card, a 'phone call or a wire sent "collect" through the nearest telegraph office and the nearby help of the Maryland is with you.

Through the Maryland you can be safeguarded against many unforeseen events. Full protection and service on the more than 60 bonding and casualty insurance lines that the Maryland writes are available in every corner of greater North America.

The Maryland writes more than 20 bonding lines, including . . . Fidelity . . . Bankers' Blanket . . . Contract . . . Check Alteration and Forgery . . . Depository . . . Fraud . . . Public Official Bonds . . . Judicial. More than 40 types of Casualty Insurance, including . . . Aircraft . . . Engine . . . Automobile . . . Burglary . . . Boiler . . . Elevator . . . Accident and Health . . . Fly-Wheel . . . General Liability . . . Plate Glass . . . Electrical Machinery . . . Sprinkler Leakage . . . Water Damage . . . Workmen's Compensation.

MARYLAND Casualty COMPANY

SILLIMAN EVANS, President

BALTIMORE, MARYLAND

MUTUAL FIRE INSURANCE was founded in 1752



In 1752, Benjamin Franklin called together a meeting of prominent Colonists at the Court House in the city of Philadelphia and outlined a plan whereby at small yearly cost each of them could be insured against loss if his home burned.

Thus was founded the first insurance company in America—a mutual company with Franklin as Chairman of the Board of Directors.

The spirit of thrift, industry and economy expressed in Franklin's own words became a characteristic of mutual insurance. It has remained so.

Eloquent of mutual stability is the fact that there are operating today thirty-five mutual fire companies over 100 years old and seven hundred seventy-eight that are between 50 and 100 years old.

A mutual insurance company is a corporation owned and managed by its policyholders. Through sound management and careful selection of risks, mutual corporations are able to return to their owners, the policyholders, a substantial part of their insurance premiums.

A worth-while booklet on mutual fire insurance will be sent on request. Address the Federation of Mutual Fire Insurance Companies, 919 No. Michigan Avenue, Chicago, Illinois.

MUTUAL FIRE INSURANCE

An American Institution

This seal identifies a member company of The Federation of Mutual Fire Insurance.



Companies and the American Mutual Alliance. It is a symbol of soundness and stability.

Fashion Guild's New Battle

Federal Trade Commission charges conspiracy, and Guild confidently asks early hearing. FTC also accuses entire automobile parts trade.

"COMBINATION and conspiracy to suppress competition and create a monopoly." That familiar charge, brandished by the Federal Trade Commission of late with unusual vigor, was leveled this week against the Fashion Originators' Guild of America, the stormy petrel of the ladies' garment and dress goods trade.

And the Guild shrugged its shoulders and sent back to Washington a request that the hearing, now set for May 22, be advanced, declaring that it welcomed the opportunity of telling its full story.

In addition to F.O.G.A., which operates in New York and its environs, the complaint names as respondents three similar Guild organizations with headquarters in Chicago, Minneapolis, and Baltimore. And it also names the National Federation of Textiles, which established its Industrial Design Registration Bureau a full decade ago.

In the eyes of the trade, however, there is no question of the principal culprit; almost 90% of the ladies' dress business centers in New York, where the Fashion Guild has been operating for four years and has a membership of almost 200 garment and dress goods manufacturers.

Three Complaints

Particularly, the complaint charges (1) coercion by the Guild of garment manufacturers to confine purchases of requirements to members of the Guild Textile Division by registering their designs with the Guild or the National Federation of Textiles; (2) coercion to confine dress sales to retailers affiliated or cooperating with the Guild; and (3) coercion of retail dealers to make them refuse to handle copied garments distributed by non-Guild members.

These tactics, reinforced by fines and boycotts, have in FTC's estimation resulted in the establishment of a virtual dictatorship which has worked serious hardship on members of the industry refusing to fly the Guild flag and has substantially increased the prices of ladies' garments.

Something more than brash insolence lies back of the Guild's request that FTC speed up the trial of these charges. Right now, the Guild's defenses are in fine working order, and the morale within the group is exceptionally good, thanks to the first-round decision recently won over William Filene's Sons Co. and R. H. White & Co., Boston department stores (BW—Mar 28 '36, p40).

That decision the Guild interprets as vindication of its practices, including the red-carding (equivalent to blacklisting) of retail stores when they will not stop handling copied merchandise. Just a few days after the decision, the Guild's members reaffirmed their faith in it and in its policies at a big victory dinner and laid plans for a \$150,000 advertising campaign to "sell" consumers on the virtue of a Guild design-protection label sewed into all the goods they buy.

Two Members Quit

The members' confidence was not even shaken when last week two large textile producers, Stehli Silks Corp. and Schwarzenbach-Huber Co., resigned their membership in the Guild's Textile Division because they were worried about their legal responsibility for all the Guild's actions. Textile members have no voice in the exercise of the Guild's retail controls.

Opponents of the Guild—principally the National Retail Dry Goods Association and the Popular Priced Dress Manufacturers Group, Inc.—are not impressed by the Guild's confidence. The Filene decision, they say, is something less than a Magna Charta, in view of the fact that Judge Brewster refused to issue a preliminary injunction against the Guild because Filene's had failed to execute the required bond "against damages for an injunction improvidently granted" and had not shown that the danger of damage resulting from the Guild's tactics was really immediate and irreparable.

Filene's has already asked the court to appoint a master to take full testimony. Meanwhile, it will not appeal to the Circuit Court of Appeals from the decision against a preliminary injunction.

Where Guild Control Leads

The N.R.D.G.A. is actively supporting Filene's stand, because it opposes the Guild's recent attempt to extend its control into the popular-priced field (\$10.00 and under), where 80% of the dress business lies. Guild control in that field would result in big losses for department stores and specialty shops, for the Guild could not hope to control design piracy in the large retail dress chains.

Encouraged as the Guild opponents are by the FTC complaint, they place their chief hope in the Filene case. Not only is it more likely to reach the inevitable Supreme Court stage first, but



This Activity should mean Business for you!



These clippings, taken from 1936 issues of Electrical World, indicate the rising market that exists in the electrical industry. Truly the industry is alive with activity that means greatly increased sales and profits for alert manufacturers.

You should be benefiting by this rising market. Advertising in Electrical World will help — by gaining preference for your products among the engineers and executives who control the purchasing in this huge market.

Look to the electrical industry FIRST for increased sales. And likewise, look to the FIRST publication. Electrical World is FIRST in the electrical industry in proven readership — in A.B.C. paid circulation — in advertising volume — in editorial resources — in recognition.

ELECTRICAL WORLD
A McGraw-Hill Publication
330 West 42nd St., New York, N.Y.

Progress All Along the Line

A Counting Device Yells...



A vault manufacturer builds a Veeder-Root Counting Device into night boxes to record the number of deposits made—and help banks detect any irregularities.

By building counting devices into their products many other manufacturers are increasing utility and boosting sales. In this group are makers of gasoline pumps, conveyors, cameras, tractors, electric refrigerators, typewriters, etc. And there are many other products that could use counters just as profitably.

Look at your product with a creative eye. A counting device may increase its usefulness and its sales. Remember, the most profitable counter applications are obvious only after experiment. Veeder-Root offers you the experience and facilities of the world's largest counter-building organization. We will be glad to work on your problem without obligation. Write.

Would Your Product Sell Faster if It Could Count?
Veeder-Root Counting Devices count operations, pieces, revolutions, motions . . . measure materials, volumes, lengths . . . calculate areas and prices . . . make permanent records.

VEEDER-ROOT
INCORPORATED

HARTFORD, CONN., U.S.A.

right now FTC is unusually busy with half a dozen other similar cases.

FTC's monopoly-busting campaign dates roughly from about a month ago, when a complaint was issued against 15 producers of tinplate, charging conspiracy to enhance prices arbitrarily (BW—Mar 28 '36, p14).

Complaints have since been issued against eight manufacturers of sports-wear in the Boston area, against the 42 members of the Retail Furniture Dealers' Association of St. Louis, and against 500 manufacturers and jobbers of automobile parts and accessories.

Date Set for Hearing

This last complaint, a blanket charge against the entire national trade, was directed this week to the National Standards Parts Association, the Motor and Equipment Wholesale Association, and five affiliated regional organizations. The complaint mentions outright price-fixing, boycotts, blacklisting, arbitrary customer selection, and other monopolistic practices. May 22 has been set as the hearing date.

Meanwhile, as further evidence that FTC does not interpret the Supreme Court's Sugar Institute decision as any sanction for effective trade cooperation, hearings on similar complaints against the New York Wholesale Confectionery Association and the Building Material Dealers' Alliance of Newark have been speeded up. Also, FTC has issued a final cease-and-desist order against 11 producers of copper plate for the photo-engraving trade, commanding them to abandon agreements which are alleged to have raised prices since July, 1933, above what they would have been under normal competition. It also prohibits the exchange of information about prices, discounts, and terms of sale.

Textile Tangle

Silk federation O.K.'s bill for federal control but fingers are said to be crossed.

SUPPORT of the revised Ellenbogen Textile Control Bill appears from an unexpected quarter, in the announcement this week that the bill has been endorsed by the National Federation of Textiles.

Action of the Federation is considered largely a politic move on the part of its management. It is said that 99 out of 100 textile manufacturers in the industry as a whole violently oppose the bill. They consider it an attempt to put a federal straitjacket on the industry.

The National Federation of Textiles is a successor to the Silk Association of America and also represents a sector of the rayon business. Support of the control bill was announced to President Roosevelt in a letter from Peter Van



Business Week
JOINS I.B.A.—David Dillman, former staff economist for *Business Week*, takes up new duties this week as educational director for Investment Bankers Association. Before he came to *Business Week* in 1934, Mr. Dillman was a Chicago financial writer and analyst.

Horn, president of the federation. Its board of directors voted the endorsement, but the underlying membership is divided on the subject. It is whispered that the federation doesn't think the control bill has a chance of passing and that the endorsement by the board was a gesture to one group of weavers who despair of getting anywhere with voluntary control.

Mr. Van Horn estimates that the operation of the bill would increase employment over 100,000, by reducing hours; save the government \$120,000,000 annually, by cutting the relief burden; and increase public purchasing power \$67,000,000 by wages.

He declares it is wrong to say the bill would set up a "little NRA"; what it would set up is a "little Federal Trade Commission." He illustrates the weakness of voluntary control by a recent survey which shows that in the case of 100 mills, production increased 30% and sales increased 9% since NRA, but prices slipped 5% to 7%, hours of operation increased 13%, employment was down 13%, and wages were cut 5%.

No Surprise

The Robert Committee Report (on post-NRA adherence to code standards) indicated that the silk textile industry was trailing cotton textiles, wool textiles, and hosiery in self-regulation. People familiar with the industry were not surprised.

Mr. Van Horn notes that of 1,200 silk and rayon weaving firms in 13 Eastern states, 800 have less than 100 looms. He is pointing to one symptom of the

industry's weakness—the small commission weaver.

In Paterson, N. J., a family will pick up used looms for little or nothing and operate them on a starvation margin, thereby cutting the price structure from under large, legitimately financed mills. Endorsement of the control bill by the silk federation indicates a hope that the government can yank these and other small producers into line.

The Textile Control Bill would create a government regulatory commission, enforce elimination of child labor, fix wages, and establish rates for overtime beyond 35 hours a week. Price maintenance is avoided but there are production control features.

Originally the bill carried provisions for licensing and criminal liability but these have been eliminated. The framers of the bill were looking over their shoulders at the Supreme Court and think they have fashioned something that will stand up.

\$7.30 a Room

That's average operating cost of apartment houses, according to a Chicago survey.

A YARDSTICK for averaging the operating costs of apartment houses is provided through a study made by Arthur Kruggel, of the Chicago Real Estate Board.

The survey covers 538 apartments, mostly of the walk-up type, located in a variety of different buildings and representing a total of 1,728 rooms. To obtain an equitable average, such items as interest on capital and losses through vacancies and rent dodgers were eliminated, so that only the cost of occupied and rent-paid apartments was determined.

This, however, included the taxes, heat, hot water, repairs, replacements, redecorating, and other normal service and maintenance costs. For the group, it averaged \$7.30 per room per month.

Some Think It Low

Some operators contend that the figure arrived at should be at least 10% higher. They also quarrel with Mr. Kruggel's method of leaving out the losses through vacancies and so forth, but admit that the study has provided a valuable guide for real estate men.

The specific items making up the \$7.30 per room per month average were as follows: taxes, \$1.74; fuel, \$1.08; janitor service, \$1.07; decorating, 99¢; repairs, 46¢; gas and electricity, 45¢; management, 44¢; insurance, 22¢; water, 20¢; replacements, 10¢; window shades, 9¢; ash removal, 8¢; janitor's supplies, 6¢; advertising, 6¢; insect-killing services, 3¢; legal services, 3¢; miscellaneous, 20¢.

"This Book has set me thinking, Jim!"

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lieve me, they certainly point the way to substantial savings . . ."

This experience is typical of many in plants large and small throughout the United States and foreign countries. Brown Indicating and Recording Instruments visualize manufacturing costs and Brown Controls govern production in industries varying as widely as steel and textiles, biscuits and explosives, with resultant process improvement and substantial savings. A perusal of our brochure, "Instruments from the Executive Viewpoint" may reveal unsuspected possibilities for substantial saving or improved operation in your own plant. Why not instruct your secretary to write for it today. Brown Instrument Company, 4525 Wayne Avenue, Philadelphia, Pennsylvania.



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How Some Firms Avert Strikes

Employers who want to keep labor trouble out of their shops are studying examples of other companies. Trifles sometimes cause big disputes.

WHEN an apparently minor labor dispute suddenly blossomed last month into the great rubber strike of 1936, clamping an iron band of inactivity on Goodyear's huge plants at Akron, it intensified the interest of the average employer in a problem which has never been completely solved and which today is getting more attention than ever before:

"What can I do to keep labor trouble out of my own shop?"

Some employers are frankly bewildered. A prominent official in one of the large automobile companies puts it this way: "I always thought that Goodyear had the best system of human relations within its plants, the most workable and permanently satisfactory method of dealing with its workmen, of any major manufacturer. Our own system parallels theirs to some extent. Theirs blew up—where does that leave us?"

Good Housekeeping Pays

Business Week set out to find where it did leave him, and it was early apparent that the years of effort which have been put in by industrial relations groups and business councils have not been wasted—the average employer is not only thinking hard but is being sold on the premise that there's dividends in good housekeeping and good family management, right in his own plant.

Traced back to beginnings, many labor outbreaks are found to be picayunish in origin. In the complicated setup of great corporations of today, dissatisfaction may arise far down the line and never get to the attention of the directing heads of the company until it is too late to prevent a strike. In finding and settling the minor grievances, employers are beginning to discover that there really isn't an insoluble problem involved.

Bad Arithmetic

A typical case of this kind, one which was described with good effect at the New England Council meeting this year, is an experience of the Geometric Tool Co., whose president, James W. Hock, told the council that the incident was "a good example of how a bit of stupidity could cause serious trouble." In the worst parts of the depression, Geometric was forced to reduce the salaries of foremen, and did so, in two 10% cuts. The foremen were promised that the amounts taken off would be put back, with better times. Better times came—but a payroll clerk put the 10% back on the basis of what the reduced salary was, not on the original amount,

and thus the foremen wound up with less than they started with. Fortunately, Pres. Hock got an anonymous letter, expressing dissatisfaction, and found out quickly that his promise hadn't been kept, although through no fault of his. Checks to each foreman made up the difference, and that was one trouble spot which never got a chance to develop.

It is no easy matter for the employer to discover just what is in the minds of his employees. In the first place, he nearly always has to pass the job of "keeping track of details" along to a subordinate, perhaps several steps removed from the top offices. In the second place, he or his subordinate executives are often forced to deal with labor representatives, not with the workmen themselves. And the labor union official isn't always as straightforward as he might be.

He usually likes his union job and he has to produce results or the job won't last. A workman expects to get something in return for his dues; therefore the union leaders must always be striving, or be giving the appearance of striving, to improve things. Sometimes, if things really are going pretty well,



International
HIS BUSINESS—is railroading. Carl R. Gray, president of Union Pacific, tells the Senate Interstate Commerce Committee just where the Wheeler-Crosser bill falls short in its attempt to solve railroad employment problems anticipated in mergers.

Human Beings

There's no science of dealing with labor, because workers are human beings and can't be treated mechanically and impersonally. But one employer may learn valuable lessons from the experience of another, and the accompanying article indicates what some of these lessons are.

they may take it out in big talk, which means little but may be misinterpreted by the employer.

Labor relations counselors have pretty well agreed on this: the average workingman is a pretty sane sort of fellow, but he can get the jitters and get them bad if his job is insecure, if there are unfair differentials in wages, or if foremen are dishonest, unfair, or ineffective.

Insecurity, or the feeling of insecurity, was a complaint of Goodyear workers. Demanding three days' notice in event of dismissal, they finally went on strike. Other disputed points were injected later, but that was the essential and original complaint.

Unfair wage differentials are hardy termites which can gnaw out the foundations of any business, while the employer himself may be blissfully unaware of the gnawing. If one of your workmen is a skilled hand, of ten years' experience, who started at 30¢ an hour and has risen to 55¢, he is likely to be proud of that rise. Hire another workman to do similar work at 40¢, raise him in two years to 50¢, and you've got trouble brewing. The old hand just won't stand for it.

How Strikes Start

If there's enough of him, he'll close the plant down with a strike which may be costly—much more costly than the expense of keeping accurate and fair records of differentials.

Several leading companies have proved that the man in charge of human relations has to be one with authority; otherwise the contact work is largely wasted. A worker hasn't much confidence in the office employee who has to carry the story upstairs and who trots back and forth and lets the grievance cool off—instead of which it may get hotter.

Large companies are beginning to put the job in the hands of a man who is big enough to be a vice-president, or assistant to the president. He has the say-so, and he can solve a lot of relatively minor annoyances on the spot.

The employer who does not believe in "pampering" his employees has something on his side, too. Laboring men aren't all clear-headed, and sometimes the company has to explain carefully why it is hard-boiled in its rulings.

Goodrich did this recently, after a



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J. S. Prescott, Secretary

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Among the products of General Foods are: Maxwell House Coffee—Post Toasties—Grape-Nuts—Postum—Post's 40% Bran Flakes—Baker's Premium Chocolate—Swans Down Cake Flour—Diamond Crystal Salt—Calumet Baking Powder—Baker's Coconut—Sanka Coffee—Jell-O—Minute Tapioca—Grape-Nuts Flakes—Log Cabin Syrup—Certo—La France—Satina—Baker's Cocoa—Whole Bran Shreds.

GENERAL
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"sit-down" strike, when the men began to kick about not getting paid for the time they were idle. Another rubber company had paid part-time, in a similar strike. But Goodrich was frank in its explanation: the men weren't going to get the idea that they could impose on the company, and that was that. Take it or leave it. They took it.

As far as looking out for the comfort and well-being of employees goes, American industry has a splendid record. When the National Industrial Conference Board set out to survey this point, it found that 27% of manufacturing companies were actively pushing training programs—which meant 848 companies and nearly 3,000,000 workers.

The same broad survey showed that wage standards had been maintained after the demise of the NRA, and that average hours of work were longer in 786 companies but lower in 369. Scores of companies have well-founded recreation and educational divisions within reach of every employee.

Outside Agencies Aid

While employers are struggling to keep serious labor disputes out of their plants, many outside agencies are helping them. American colleges, for instance, have year by year kept at the hard job of finding out what kind of men are needed by industry, and of trying to fill that need.

How they have succeeded, and how industry has gone a step further in training this already partially-trained personnel, is a part of another story (*BW*—Dec 21, Dec 28 '35; Jan 11 '36). But the colleges are only one feeder-line of good men. Other personnel services have been broadened by such institutions as the Y.M.C.A., until employers can just about choose the man for the job.

At the "Y" in New York City, for instance, young men seeking advice are put through a series of tests for mental, mechanical, clerical, scientific, or artistic ability. They are interviewed orally at length; some of them are steered toward specific training. Some have jobs, some have not. The idea is to make a better all-around man, a better employee for any business, not just to get a job.

Others' Experience Important

From the employers' angle, money is well spent which brings accurate information on what the other fellow is doing. Just published, for instance, is an exhaustive survey of labor relations, made by the information bureau of the Cement Institute. For case studies the bureau took Illinois Bell, International Harvester, Standard Oil of Indiana, and Westinghouse—about as varied a list as is possible. Yet experiences of these great industrial companies are much the same, and agree for the most part in all essentials mentioned above.

Regional conferences and national conventions keep business men informed of a mass of evidence on labor problems. Last week the American Management Association held its Job Order and Mass Production Conference, for example, and presented a notable cast of speakers who hewed to the line of facts, not theories. Some of the highlights:

1. The Egan Plan of Industrial Democracy, used by the American Cast Iron Pipe Co. In accordance with the will of its late president, John J. Egan, the company is jointly owned by management and workers, with a joint board of management. The plan has stood the test, right through the depression.

2. Experience of the Fellows Gear Shaper Co. in rebuilding its working force: "When new workers are hired, we should be less interested in experience than in character, energy, native intelligence, loyalty, and teamwork. It is relatively easy to supply efficient training for a man of this type, and a little time will give him experience, but many of us have wasted many years on trying to improve a man's character."

3. Report of F. C. Huyck & Sons on revitalizing the supervisory force: "Incentives play a major part in the consummation of a successful plan. Education, fair and kindly treatment, but something more—a tangible share in the successes achieved."

4. General Electric's summation of the value of incentives: "Prior to the depression, security of employment was taken for granted and had no incentive value, but today this factor has become quite important. Today's incentive system should be based on accurate knowledge of what constitutes a good day's work on each job, plus an accurate knowledge of what constitutes a good day's pay for that job."

Ounce of Persuasion Pays

These examples, selected at random, are indicative of the average experience in hundreds of plants. Right at the heart of the problem is education, the need for which may be summed up in the words of the American Telephone & Telegraph Co., which says: "The general philosophy of industrial relations activities is that an ounce of persuasion is worth a ton of authority. Of course, persuasion is no good unless it is informed, unless underlying foundations have been laid with decent treatment, good wages, sound working practices and conditions, and employees individually have acquired some sense of significance and stability in the organization and some feeling of responsibility and pride in the production of its goods or services."

Thus is the modern, forward-looking employer's opinion expressed. Against a constant bombardment of written and spoken assaults upon stability of labor, the forces of management are building

a strong, effective policy. First, learn the needs of the employee. Second, let the employee learn and understand the needs of the company. Third, put the right man in charge of bringing those two sides face to face, and give common sense a chance to grow.

Won't Curdle

And that, say the sponsors, is why new orange-milk combination and Freshway fruit-squeezer will enjoy a large market.

THE food industries are apparently about to tap a big new market—the market for an orange-milk combination that won't curdle.

Food scientists have long known that the addition of citrus-fruit juices to milk speeds up its protein digestibility, producing a quicker pick-up.

But it has been impossible to mix these two types of liquids on a commercial scale and prevent curdling. Hospitals and mothers have had to mix them drop by drop for a small supply.

But now a new fruit converter, the Freshway, has been developed which is said to do such a thorough job of pressing that, for the first time, practically the entire fruit becomes juice, and previously unobtainable elements are obtained; and as a result the fruit-juice may be mixed with skim milk without curdling.

The sponsors claim that laboratory tests indicate the juice adds 705 units of Vitamin "C" per qt. to the milk solids and that it produces a pre-digested food beverage with twice the rapid protein digestibility of plain milk.

100% Juice Results

The Freshway, developed by the Paul Hawkins Co., of Hollywood and Chicago, consists of a round, stainless steel tank, on top of which is mounted the converter head with a self-contained motor. The fruit feeds into the converter head down a slide and goes through a piece of revolving equipment which reduces practically 100% of it to juice—skin and all. Then the juice, with sugar and water added, is drawn from the tank, mixed with skim milk.

The converters will be rented to dairies by Hawkins, and citrus juice-milk combinations will be marketed through regular dairy channels under the trade-names Orange An' and Lemon An'. The first manufacturer and distributor of the new products is the Golden State Co., Ltd. (Southern California division), which is now supplying them in the Los Angeles area to customers on regular milk routes, and to soda fountains and groceries.

Fruit juices without milk will go to the public as Freshway Orange and Freshway Lemon.

Courtesy Museum of the City of New York



More Light!

When this Bank first opened its doors in 1799 New York City was lighted by whale oil lamps hung on every seventh house. Today there are 150,000 electric street lamps. Public Utilities with over 30,000 employees and capital of almost a billion dollars meet the City's lighting needs.

Sound and adequate banking has played an important part in the development of this great industry. During its 136 years of life this Bank has assisted in the growth and expansion of many industries.

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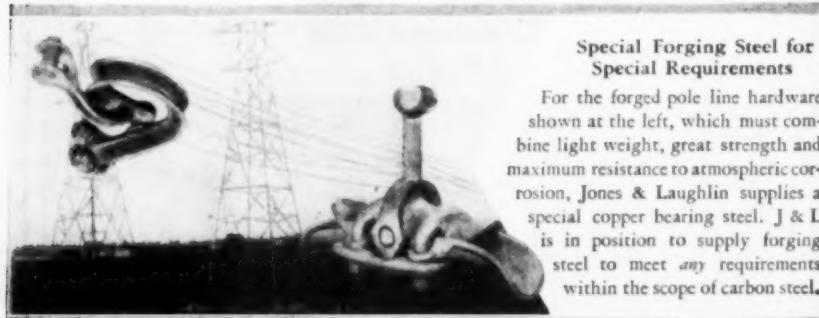
THE better the steel you use—and the more exactly it fits your specific requirements—the more profitable your manufacturing operations will be.

That's precisely why so many steel users look to J & L for *all* their steel requirements. The wide variety of J & L steel products meets their every need. The dependable, uniform high quality of J & L steel means increased production, a more uniform product, and lower manufacturing costs.

This uniform high quality of all J & L steel products is the result of three important factors. First, every step in the production of J & L steel, from iron ore to finished product, is under a single ownership. Second, all manufacturing operations are under strict metallurgical control. Third, a rigid system of inspections and tests assures conformity to the traditionally high quality standards of Jones & Laughlin.

As an additional important service to its customers, J & L maintains a large staff of technical experts who are available for consultation on any steel problem.

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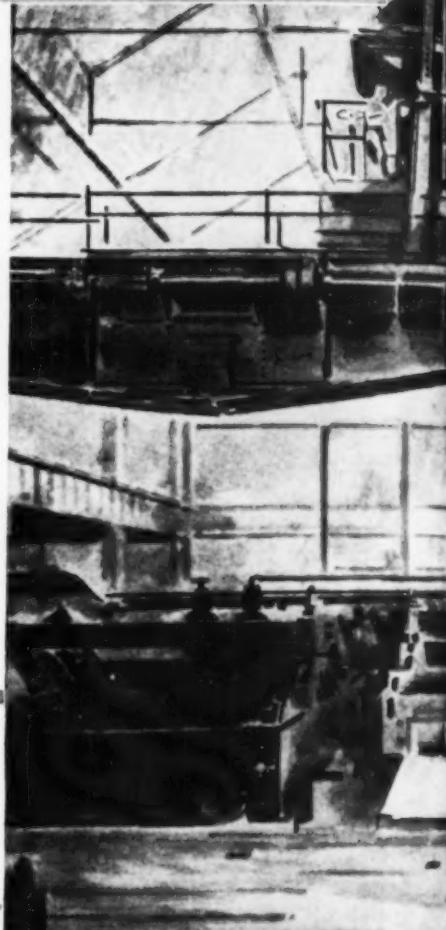
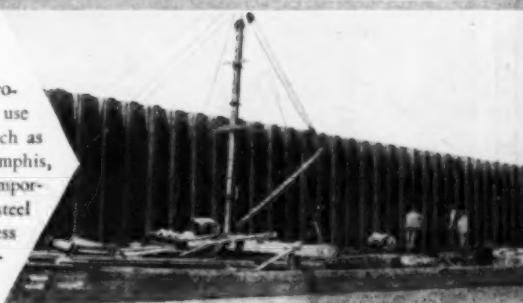


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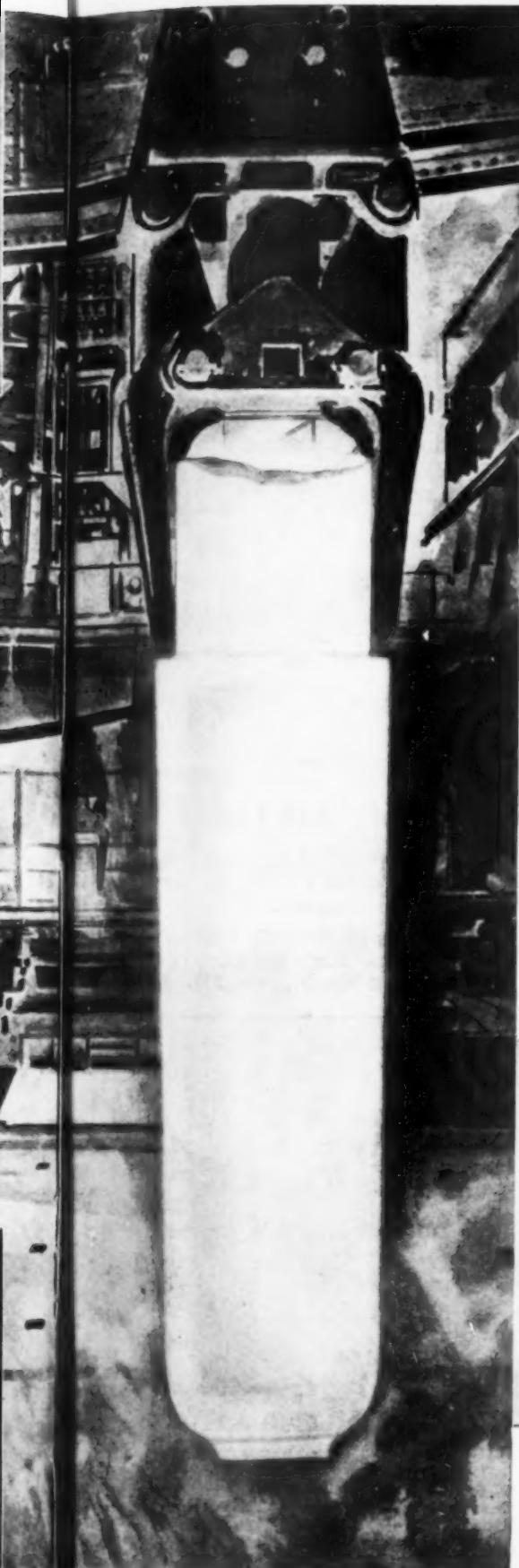
For the forged pole line hardware shown at the left, which must combine light weight, great strength and maximum resistance to atmospheric corrosion, Jones & Laughlin supplies a special copper bearing steel. J & L is in position to supply forging steel to meet *any* requirements within the scope of carbon steel.

J & L Steel Piling Gives Economy and Long Life

An economical solution to shore protection problems is offered in the use of J & L Steel Piling bulkheads, such as this one recently constructed at Memphis, Tennessee. J & L Steel Piling offers important advantages in all types of steel piling construction. Its straightness and proper interlock clearance assure trouble-free performance.

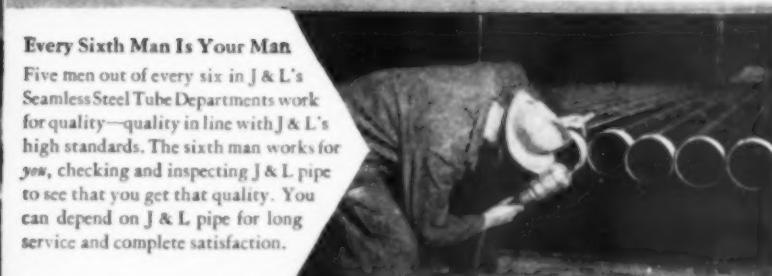


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Five men out of every six in J & L's Seamless Steel Tube Departments work for quality—quality in line with J & L's high standards. The sixth man works for *you*, checking and inspecting J & L pipe to see that you get that quality. You can depend on J & L pipe for long service and complete satisfaction.



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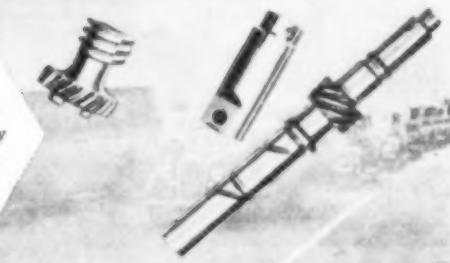
Realizing the importance to steel users of uniform high quality, J & L has developed a system of rigid quality-control over every manufacturing process. Metallurgists, heat treaters and machining experts everywhere have come to know J & L steel for its dependable, high quality. Users of steel find the J & L metallurgical staff helpful in meeting steel problems.

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Jalcold is a cold reduced special purpose tin plate with greater uniformity to gauge, increased ductility, and unusual deep drawing qualities. J & L manufactures coke tin plate, including Jalcold quality, light manufacturing ternes, special coated manufacturing ternes, in a full range of grades and sizes.

Jalcase Cuts Costs for Vital Automotive Parts

Jalcase steel is used for many vital automotive parts. Shown here are three typical parts made of .10/.20 carbon Jalcase. The excellent machinability and unusual case carburizing properties in this grade offer an opportunity for real savings in production costs. Jalcase is made in hot rolled and cold finished, in three carbon grades.



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Southwest Is Rarin'

Setting business pace for rest of country and expects to stay in front. Oil, cotton, construction, and department stores prosper.

BUSINESS in the Southwest is steaming up. Texas and surrounding states, already setting a stiff pace for other sections of the country, are expecting to forge still further into the lead during the remainder of the year.

Texas this year has a new type of exposition, the Centennial, which will be a sort of roving business-stimulant, hitting practically every community in the state before it is over. From this big fair the entire Southwest is confidently expecting a stirring up all along the line, and will probably get it. Railroad, hotel, retail, construction, practically all businesses, are gearing up for the big year in Texas.

Not Just the Fair

Southwesterners are careful to point out that the Texas fair is only one oyster in the bed. At the drop of a hat they are springing fancy statistics from every quarter of the business sphere to prove that the Southwest is hitting the best pace in the country.

For example, the Dallas Federal Reserve district in the first quarter this year led all other districts in department store sales gains over last year. Construction is high in the Southwest. Oil is booming—oilers say the geologists have promised production in no less than 80 Texas counties when known deposits are finally tapped.

Cotton acreage this year will be up 15% to 20%, and the croppers are feeling much better since it rained last week.

There is a big Texas truck and fruit production in sight for this season. The onion crop—those big mild sweet ones that you can look in the eye without flinching—shows strong promise.

Wheat in the Texas and Oklahoma panhandles is stricken with dust again, but outside of the dust-bowl ample crops are in prospect. Matthew S. Sloan, genial head of the Missouri-Kansas-Texas Railroad, expects the Katy's panhandle lines to haul more wheat than in any year since the drought first struck.

There is another plum for the railroads to draw this year. The Southwest has more than a million bales of loan cotton, much of which has never left the interior. Now the government plans to move this cotton gradually.

Growers have already received their money and have been spending it, but the railroads and the cotton trade haven't had their chance at handling the blocked-up bales yet, and they have about a million dollars' worth of transportation alone to look forward to.

If Guffey Act Loses

No strike would follow Supreme Court decision against it. Act might be amended.

WASHINGTON (Business Week Bureau)

—The Supreme Court may decide on the Guffey coal act Monday (Apr. 27). If



EYES ON TEXAS—All states, and the federal government, will help Texas celebrate this year, and industries from coast to coast will send exhibits to the great centennial fair. Uncle Sam has appointed a special Texas Centennial Commission; from left they are: Sec. of State Hull, Paul L. Wakefield, Vice-Pres. Garner, Ernest J. Altgelt, Cullen F. Thomas, Sec. of Commerce Roper, Percy J. Rice, RFC Chairman Jesse Jones, and Sec. of Agriculture Wallace.

the court, then or later, should scrap the act, labor trouble would not necessarily be precipitated, as bituminous wage contracts hold until Apr. 1 next year.

High-Cost Ones Hit First

A break in prices would probably follow such a decision, but the high-cost mines, which would feel the effects first, are mostly in highly organized regions, and they would probably close rather than try to break away from the wage agreement.

Some time would very likely elapse before prices would reach a point, in the districts where the union is weakest, that would justify the risking of a major labor disturbance.

If no fundamental amendment of the act were necessary to bring it in line with the court's decision, the remedial legislation could be enacted at this session of Congress. But if sweeping amendments should be necessary, the friends of the act would rather defer legislation until the next session, because it would be hard to rush a satisfactory bill through the jam in the closing weeks of Congress.

The real question in the case is whether the federal government has the power to fix prices in interstate commerce. The Guffey act does not regulate production directly. The lower court said that control of wages and hours is separable from the price-fixing phase of the law.

Whisky Sales Tax

Kentucky takes 13¢ per pt. at stores to avoid increasing the tax on production.

KENTUCKY, land of colonels, fast horses, and fine whisky, has sidestepped a tax program that threatened her huge distilling industry. Gov. A. B. ("Happy") Chandler was elected largely because of his opposition to the 2% general sales tax. When this was repealed it was proposed to substitute a production tax on liquor, with rates running as high as 25¢ per gal. The good prohibition ladies were interested.

Kentucky's famous distillers were greatly agitated by the proposal. They told the governor that such a tax would drive the industries to other and kinder states. Gov. Chandler backed a different program, which the legislature has passed. The act puts a 13¢ per pt. retail sales tax on whisky but leaves the production tax at the old 5¢ per gal. The expected yield is \$2,500,000.

Increase of the production tax is still favored by a strong group, but it is thought that the governor commands enough votes to block them. These interests would prefer loading whisky production more heavily because the tax hunters are looking their way. The to-



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"My Waco is as important to me as my telephone. It saves hours and hours of time for my company and for me... It adds to my efficiency."

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If you want to know about Waco's

reliability—"Ask Any Pilot!" If you want to know how easy it is to fly a Waco . . . ask the nearby Waco dealer for a demonstration—take the controls, and enjoy the pleasure that will be yours later on, when you turn to your own pilot and say, "Throw the wheel over here, please . . . I'd like to fly for a while."

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Five Weeks Experience Convinces Owners That Webster Moderator System Will Pay for Itself

INCREASES HEATING COMFORT

Chicago, Ill.—Five weeks after completion of a heating modernization program in the Bradner Smith Co. building, large Chicago paper house, the owners of the building closed the deal for cash, thoroughly convinced that the installation would pay for itself in reduced heating expense.

This practical demonstration of the effectiveness of the Webster Moderator System of Steam Heating, in correcting, almost over night, the shortcomings of outmoded heating equipment, took place in the fall of 1935.

The heating modernization program was authorized in the summer of 1935 on the basis of an estimated annual saving of 170 tons of coal, having a cash value of \$800. The new system was placed in operation on October 1. By November 6, the owners of the Bradner Smith Building were confident that the estimated savings would be achieved and completed payment on the \$2,040 contract.

The W. J. Gemeny Company, of Chicago, acted as modernization heating contractors. There is a total of 19,908 square feet of installed direct radiation.

With the Webster Moderator System, accurately sized metering orifices provide balanced steam distribution throughout the building. All radiators receive steam at the same time and in approximately the same amounts. The Bradner Smith Building is comfortably heated even during the severest weather.

Improved Webster Systems of Steam Heating provide lower heating cost, comfortable indoor temperatures and minimum repair and maintenance bills in new buildings as well as old. Webster Service, a part of every Webster System, is valued highly by owners, architects and heating contractors.

Traps, valves, orifices, concealed radiators, central heat controls—all are products of one manufacturer under undivided responsibility.

If you are interested in heating new buildings, or in improved heating service and lower heating cost in your present building, address

WARREN WEBSTER & CO., Camden, N. J.
Pioneers of the Vacuum System of Steam Heating
Branches in 60 principal U. S. Cities — Estab. 1888

bacco industry is fighting a suggestion for a state tax on cigarettes.

Meanwhile, trying to silence threatening rumblings from the dries, the liquor industry is pointing to the huge revenue collected from it. The Distilled Spirits

Institute discloses that the federal and state governments received \$1,352,383,000 from alcoholic beverages during 1934 and 1935. This was \$200,000,000 more than the cost of the War and Navy Departments during those years.

Act on Silicosis Problem

Conferees set up committees to study prevention and other phases. Industries establish Air Hygiene Foundation for research.

BOTH government and industry have now gone seriously at work to fight silicosis.

Last week Secretary of Labor Perkins held a "town meeting" in Washington. Representatives of employers, employees, and insurance companies, as well as medical and safety men, were there. They threshed the problem out and appointed four committees to deal with it.

Meanwhile leading companies in steel, mining, glass, foundry, refractories, and kindred industries have set up the Air Hygiene Foundation of America. Research has started at the Mellon Institute in Pittsburgh. Engineering, medical, and legal committees have been organized to study the problem in the interests of both labor and management.

Action at Last

After years of debate over the causes, prevention, and treatment of silicosis, action has at last come out of the pressure of several situations.

One of these is the filing in recent years of common law damage suits, to the total of many millions, against employers by alleged silicosis victims, some of whom have been egged on by shyster lawyers.

Though there is great variance in the law, silicosis has now been made a compensable disease in some 15 states. But claims have piled up and insurance rates have soared.

The most extreme case was in New York State. Under the all-occupational disease amendment enacted last year, rates were quadrupled and cash deposits of \$600 per employee required. So employers that had run for cover to the Workman's Compensation Law found themselves facing insurance premiums that would lift the costs so high they could not compete with plants in other states.

Furthermore, competitors promptly advertised that fact. Also, workers in the dusty industries were subjected to physical examinations by the insurance companies that eliminated many experienced workers, not only because of silicosis but because of other defects that were discovered.

As a result of these rate increases, closed plants, and unemployment, a survey of the whole problem is being made. Also a bill drastically limiting compensation for silicosis is now before the legislature.

Finally, in January came the congressional investigation of the charges that 1,500 cases and 169 deaths had resulted from the digging of the power tunnel of the Hawk's Nest project in West Virginia in 1930-31.

The public could make nothing of the conflicting testimony, but the idea stuck that something should be done about these dust diseases. A resolution now before Congress would empower a committee of five senators and four representatives to investigate dust conditions in mines and industries and recommend legislation.

Dr. R. R. Sayers, of the Public Health Service, at last week's conference said that 1,200,000 persons are working in industries that expose them to silicosis. The emphasis was strong on the construction and abrasive industries. But foundries, machine shops, some chemical plants, glass works, potteries, and coal and metal mines are likewise involved, and so are many grinding, scouring, buffing, sawing, moulding, and insulating operations everywhere.

Finest Dust Worst

It has long been believed that the injury arose from the cutting of the lungs by silica dust and from the irritation that resulted. But now the belief is growing that the action may be chemical. The finer the dust, the more harmful it appears to be.

The disease is prevalent in some 26 countries. According to Dr. Sayers, in about 20% of the cases that reach the first stage of silicosis, 40% of those that reach the second stage, and all that reach the third stage, the disease is progressive. There is wide variance in the length of time it takes a worker to become afflicted.

Speakers at the conference warned employers to guard themselves against employing men whom they may have to compensate for silicosis, contracted in some other plant or industry. But labor leaders pointed out the social injustice

of permitting a man to become diseased and then denying him further opportunity to earn a living. It is also important that he be protected against the racketeer who tricks him into a lawsuit, drives him from his job, and takes half the proceeds—if any. So flagrant has this become that one lawyer ran a "Help Wanted" advertisement in the local newspapers and used the applicants as prospects for silicosis suits.

Silicosis prevention must be accomplished by the states. The Department of Labor stands ready to assist. But adequate measures wait upon research and education.

Workers do not know the hazard and neglect to use preventive equipment, including portable or stationary dust collectors, ventilators, wet drilling, and so on. Employers likewise are far from recognizing the danger to the employees and to themselves.

Most physicians have a scanty grasp of the disease. Insurance companies have little data on which to base their rates. Legislators are in the dark. Jurors and judges are largely at the mercy of legal and medical quacks.

Work Divided

The following committee chairmen were appointed at the Perkins conference: medical control, Dr. R. R. Sayers, of the Public Health Service; engineering control, W. A. Cook, of the Connecticut Department of Health; economic, legal, and insurance phases, V. P. Ahearn, of the National Sand and Gravel Association; and regulatory and administrative phases, L. M. Walling, Rhode Island labor commissioner.

Mining men have no part on any of the committees. A number of representatives have been appointed from the manufacturing industries, however.

The Coming Weather

Washington experts plan to forecast it for weeks or months. Smithsonian secretary has one theory, but Weather Bureau experts have another.

WASHINGTON (Business Week Bureau) —In last week's *Washington Bulletin* we said, "Long-distance weather forecasting will receive big boost in near future." Here are the details.

Dr. C. G. Abbot, secretary of the Smithsonian Institution, has been working on the theory that the amount of solar radiation greatly influences, if it does not absolutely control, the weather of the earth.

He thinks that if the government provides the equipment needed for gathering information, he can forecast the weather pretty accurately for two and possibly three weeks.

Sun's Radiation Cycle

It is now known that the sun's radiation is not constant, but reaches the earth in an increasing or decreasing curve, covering a period of 23 years, equal to the time covered by two and one-half sun-spot cycles.

These curves break into irregularities, which have bothered students and complicated the weather problem. Dr. Abbot calls these irregularities "reversals," and considers them the key to further discoveries, but thinks they can be ignored for comparatively short-distance forecasting, or about two weeks.

He wants the government to establish stations at certain places for collecting information on solar radiation and related matters. The stations would cost about \$200,000 and would have to be in operation about three years before systematic weather forecasting would be practicable.

Experts of the Weather Bureau, under the leadership of R. G. Weightman, are also working on the forecasting problem. They are following the methods of British scientists who have been studying weather relations between India and widely separated localities in an effort to forecast the next monsoon season and avert famine.

The pointer by which the Weather Bureau experts hope to be able to tell the weather is a mathematical one. They call it the "relation coefficient" or the "mathematical index" between the selected observation points and the United States.

The goal toward which they are aiming is slightly different from that of Dr. Abbot. They hope to give a broad picture of the weather a month or even a whole season in advance. That picture would include a comprehensive outline of rainfall and of expected temperature curves.

Warning and Protection

Their chief motive is to protect the country against unforeseen drought or floods. If, for example, their data indicates heavy snowfall and bitter cold for the Northern states in a given winter, to be followed by a warm and rainy spring, it is a safe prediction that the nation will be threatened with such floods as ravaged the whole sections this spring.

In that case, farmers and business men and the government will take whatever protective measures they can to lessen damages from the disaster.

Lord & Thomas Advertising



There are Lord & Thomas offices in New York; Chicago; Los Angeles; San Francisco; Toronto; Paris; London.

Each office is a complete advertising agency, self-contained; collaborating with other Lord & Thomas offices to the client's interest.

A Policy of Larger Profits

instead of limitation—Can it work? Will it benefit America as a whole?—READ...

PLATFORM FOR AMERICA

By Ralph E. Flanders, President of the Jones & Lamson Machine Co. 118 pages, cloth bound.

A business man's analysis of the community of interest in the problems of business, government, and the people of America, and proposals for insuring a prosperity to meet this interest, based on governmental encouragement of large profits rather than limitation of them.

\$1.00—On Approval—Send This Coupon

McGRAW-HILL BOOK CO., Inc.
330 W. 42d St., N. Y. C.

Send Flanders' *Platform for America* for 10 days' examination on approval. In 10 days I will send \$1.00 plus few cents postage or return book postpaid. (We pay postage on orders accompanied by remittance.)

Name _____

Address _____

City and State _____

Position _____

Company _____ RW-4-25-24
(Books sent on approval in U. S. and Canada only.)

We're Selling More Cars Abroad

American manufacturers boost their foreign sales in first quarter. Europe is main customer, South America surprisingly small, South Africa big.

THE prosperity of the automobile industry is coming not only from domestic sales but also from sales in overseas markets.

General Motors sold 86,291 units in the first quarter, a gain of 24.5% over the first quarter of last year, in countries outside the United States and Canada. This includes cars built in its English and German factories as well as those exported from this country.

Chrysler's sales abroad jumped 12% in the first three months of 1936 compared with a year ago. Hudson reports its export sales up substantially as against last year.

Europe Takes 30%

Despite restrictions imposed by quotas, tariffs, and special duties, European business constitutes around 30% of the total foreign sales of American car manufacturers. South Africa accounts for close to 20%, Australia about 18%.

South American trade is surprisingly small, in some cases being only 3% or 4%. Central American sales, including Mexico, are almost as large.

South Africa has probably been the most spectacular market overseas. It has more automobiles in use than ever before (around 450,000) and is enjoying a first-class boom as a result of revived gold-mining.

South Africans are free with their money and don't bat an eye when they spend \$50 for gadgets for a low-priced car. They like to make their Fords, Chevrolets and Plymouths look like limousines. At least one American company builds a "dust-proof" car for the South African trade, since the dust problem there is serious.

Australia Wants More

A good wool business, among other things, has brought prosperity to Australia and has stimulated car sales. Ford and General Motors have plants there, the latter employing some 9,000 workers in operation scattered over 30 acres. Chrysler has an arrangement with an Australian body maker to furnish bodies for Chrysler chassis shipped from the United States. Sheet steel made in Australia for car-body purposes is of much smaller size than that rolled in this country. Hence American steel companies may make arrangements for new rolling facilities there, perhaps by means of a working agreement with local companies to supply American car plants. American Rolling Mill is known to be considering this possibility.

American car manufacturers are a lit-

tle worried because Britain thinks too large a volume of non-British goods is moving into Australia and wants to do something about it.

Britain, Belgium, and Holland are the best European markets. Spain holds promise, with tariff barriers likely to be lowered. A prominent car manufacturer is working on plans to open up markets in Rumania and Poland.

Italy, Germany, and France have been almost eliminated because of restrictions on importations. The Scandinavian countries are good prospects, and cars are being shipped to them directly from Detroit in ships specially designed for that purpose.

South American business is not so good because of unfavorable credit conditions. Central American countries have a short but brisk selling season in the winter. Mexico will get increasing attention from the industry, now that a main highway is open from the border to Mexico City.

Trucks Come Back Faster

Truck sales overseas have recovered faster than passenger car sales. Chrysler, for example, showed gains of only 8% in passenger car business in the first quarter, but of 25% in trucks.

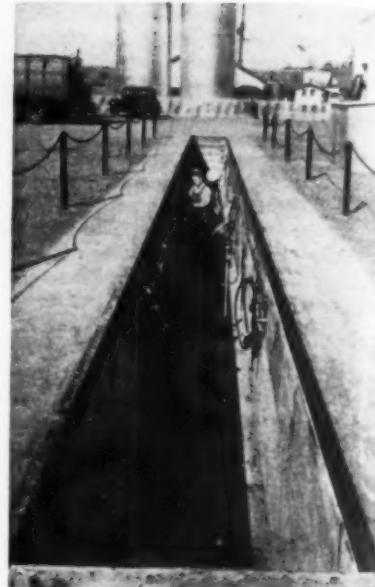
Almost all export truck demand is for one- to three-ton models; the heavier models usually are chassis for buses. European makers, in certain instances, have specialized in building heavy-duty trucks powered with diesel engines.

While the Big Three dominate the overseas market for American cars, some of the smaller independent manufacturers have developed a sizable trade, partly by concentrating on certain countries. Hudson-Terraplane is doing a good business in England, Graham-Paige on the Continent. Studebaker has done well abroad. Packard gets its share of foreign sales, although its volume is necessarily limited by its price-class.

Fall Announcements Help

Fall announcements of new American cars help to sell cars abroad, since they cause new designs to be offered at the beginning of the spring selling season in the countries "down under," and they also permit displays of new models at the European shows held in the fall, where heretofore European manufacturers have had the edge over American exhibitors.

In 1935 America sold 565,000 units in foreign markets, or 32% more than in the previous year. The depression



BUSINESS WEEK
FOR TRUCKS ONLY—This 60-ft. grease pit, with three sets of equipment, handles a truck and trailer without moving either unit until the job is done. It is a feature of a new Associated Oil Co. station on a heavy truck route in Sacramento, Calif.

low was 180,000 units in 1932. This year the industry looks for a further increase, to 625,000 units.

The reasons for improvement are (a) world-wide recovery from the depression, (b) increasing use of cars abroad, the world registration of vehicles at the end of 1935 having been the highest in history, (c) reciprocal trade agreements with other countries. Such agreements with Belgium and Cuba have boosted car exports to those countries 121% and 155%, respectively.

The only cloud on the foreign car horizon is the possibility of a general war. If that breaks out, the car export market may go to pot. Car export managers, however, are convinced that Europe isn't ready for war yet.

Harvard at It Again

EIGHT years ago the Harvard Graduate School of Business Administration tried out a short summer session for executives, and it went over big. During four summers, 692 executives of 350 companies were enrolled for the courses. Then, with the depression, came a four-year halt.

This month Harvard reported on a 1936 checkup: Business men were asking about the summer course, and it would be resumed. The dates are July 1 to July 31. Registration requests are to go to the graduate school, with a \$10 fee which will be credited on the \$200 tuition. The subjects include sales management, industrial procurement, interpretation of financial statements.



IT'S THE FINISH THAT COUNTS

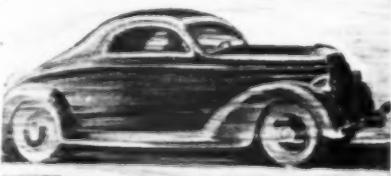
It's the finish that counts on your product—as well as on the race track. Design is important—so is quality of workmanship—but when the consumer sees it—it's the finish that counts. The finish must appeal to the eye of the buyer—must be lasting to insure customer satisfaction—must be economical in application.

Zapon Finishes combine the utmost beauty with the greatest utility. Their use permits variety in color treatments limited only by imagination. In the development of Zapon Finishes, Atlas contributes to many of America's most popular products.



ATLAS

POWDER COMPANY
Wilmington - Delaware



3240 Welds on One Car!

Better cars—lighter, stronger, better looking—with better performance at steadily decreasing costs—are miracles of modern engineering.

And resistance welding is a big factor in performing the miracles. Its amazing development is indicated by the fact that one popular car—using 1339 resistance welds a few years ago—now employs 3240 resistance welds in body and chassis.

Mallory Welding materials—dies and electrodes—with Mallory engineering research, have made huge contributions to welding development. Today they are recognized as the criterion for uniformly dependable welding performance.

P. R. MALLORY & CO., Inc.
INDIANAPOLIS
Indiana
Cable Address—Palimall

MALLORY

PARTS FOR RADIO, ELECTRICAL,
AUTOMOTIVE AND INDUSTRIAL FIELDS

New Products

New things, new designs, new packages, new manufacturing and marketing methods.

In asking further information on new products or submitting data on newer ones, address *Business Week's* Chicago offices—520 N. Michigan Ave.

EXERCYCLE is a new machine that makes its rider exercise electrically. It resembles the skeleton of a horse, has handlebars and pedals like a racing bicycle, saddle like a farm tractor and, according to its manufacturers (Marlowe Products, Inc.), it produces a series of rhythmic movements which give voluntary and involuntary motion to every muscle and result in the combined benefits of cycling, horseback riding, rowing, and swimming.

AMERICAN MONORAIL CO. now offers a pneumatic tire drive for monorail hoists. In it an electric motor, with reducer, drives a wheel fitted with a pneumatic tire which, when properly inflated, presses against the underside of the monorail and is advertised as greatly increasing the tractive efficiency of the hoist or crane.

MIRRO-GLO gas heater, just announced by the Utility Gas Appliance Corp. for room or office use, represents new and drastic departures from conventional designs, has a base of blue mirror glass, chrome metal trimmings, and fire-clay heat-resistant diffusion units. All surfaces can be cleaned with soap and water.

ELECTRIC HOSE AND RUBBER CO. offers a new type of gasoline pump hose with the inner tube made of Duprene, DuPont's synthetic rubber. It is advertised as extremely flexible, 25% lighter in weight, highly resistant to the deteriorating action of gasoline, with a new cover surface that requires no guard and stays neat without scrubbing.

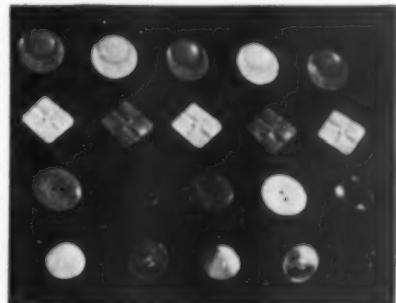
FOR pulling vertically, horizontally or at any desired angle, Chisholm-Moore Hoist Corp. offers a new C-M puller in $\frac{3}{4}$ and $1\frac{1}{2}$ ton sizes. Its moving parts and friction brake are packed in grease, it has two-button control, easy chain adjustment, collapsible handle to facilitate storage. Gear reductions are said to reduce effort required for operation to a minimum.

FOSTORIA PRESSED STEEL CORP. offers a new industrial machine lamp for sewing or machine tool operations where glareless light is wanted directly on the work. The base may be bolted or clamped in position and flexible ball and socket joints are provided for correct placement.

PLASKON

571,000,000 OF THEM

Once again woman is aping the male (attire), and the button people are rubbing their hands in glee. Masculine suit and shirt waist styles, twin sweater sets and the new summer clothes are rocketing the demand for buttons. Several more than the 571,000,000 needed in 1935 are being fastened in place, in 1936.



Plaskon has been, since 1932, and is today an overwhelmingly favored button material. One outlet alone sold \$2,000,000 Molded Color buttons last year.

Men notice buttons only when they are missing but women rightfully regard them as an important decorative item. Aware of this, clothing people specify Plaskon buttons for their strength and color beauty. No amount of Monday's washings and Tuesday's pressings affect color-fast Plaskon—or mar its lustrous, smooth surface. With Molded Color's infinite color range to work from, designers are using more buttons and instilling need for them in every woman's mind. Since Plaskon's coming, buttons of every color have become available. . . . The whole story makes a nice case history of Plaskon application. Like the one for the electrical and packaging and lighting industries. And very possibly for your own.

PLASKON is a urea formaldehyde plastic material. It is colorful, strong, corrosion-resistant, impervious to nearly all chemicals. We furnish Plaskon in powder form to molding companies who mold it into products of any shape and of any color. Plaskon Company, Inc., 2115 Sylvan Ave., Toledo, Ohio.



Write today to become a free subscriber to the Plaskon Parade, a pictorial digest of Plaskon and the plastics industry.

PLASKON COMPANY INCORPORATED

2115 SYLVAN AVENUE
TOLEDO, OHIO

CANADIAN AGENTS, CANADIAN INDUSTRIES LIMITED, MONTREAL, P. Q.

New Advertising Accounts

Cooperative gas campaign by utilities is biggest newcomer. Test campaigns begun for a new cigarette and an old soap. C.I.T. launches first advertising drive.

NOTHING titillates an advertising man's ever-ebullient enthusiasm like news of new accounts. The big advertisers may place their millions of lines a week, and the agent or publisher takes it all in his stride—pleased, of course, but scarcely ecstatic. But let a new thousand-line account walk in the front door, and there's a new zest in life, a new reason for a round on the house.

Half a dozen new and prospective campaigns are contributing their full share of fillips. The biggest linage apple which at last seems to be ripening and getting ready to fall in publishers' laps is the long-heralded cooperative gas campaign. According to present indications, that will mean at least half a million dollars' worth of space every year for three years.

Conceived some four years ago as a cooperative effort of equipment and appliance manufacturers and the utilities, the campaign as now set up will be paid for by the utilities alone. It will be financed on the basis of four cents a meter a year, and since last October companies representing 75% of the

nation's 16 million meters have pledged themselves to contribute funds on this basis.

While steps are being taken to translate these pledges into actual contracts and cash, the advertising committee has been reviewing campaign plans submitted by two score agencies, and this week chose McCann-Erickson, Inc., to do the job. The theme of the campaign will be that of selling gas as a modern fuel for home and industry.

Last week, for the first time in its 28 years of existence, the Commercial Investment Trust Corp. took rank as a general advertiser.

In 30 newspapers and three national magazines appeared the first advertisements (through the Hawley Advertising Co.) in a full year's campaign designed to develop a better understanding of the essential usefulness of instalment credit, and timed to coincide with an expected instalment boom. C.I.T. points out that "as sales go up, prices come down," and in proof it cites the history of the automobile, the mechanical refrigerator, and other commodities

whose widespread use has been in part made possible by instalment selling.

Another new campaign, consisting of full pages in more than 30 newspapers and 43 magazines, has just been launched (through the Franklin Bruck Advertising Corp.) by the Universal Camera Corp., the aggressive young giant which calls itself "The Largest Unit Manufacturers in the World." Nor is that any idle boast. The 50 Univex cameras are being turned out at the record rate of almost three million a year, and production is being stepped up on its \$10 movie camera and movie film (50¢ a roll).

Beginning this spring to turn out its improved vest-pocket models, priced at \$1.50 for the standard model and \$2.50 for the de luxe, Univex will, publishers think, need considerable advertising support to compete with Eastman Kodaks.

Old Whisky Bows Again

Also introduced to the public this month by means of splashy displays in newspapers (through the White-Lowell Co.) was the famous old pre-prohibition name of Wilson whisky, owned and managed now by Browne Vintners, of White Horse fame. Publishers are hoping for better than half a million dollars' worth of business a year to re-establish the Wilson brand name.

A test campaign launched in New York this week on a new cigarette, Viceroy, whets the interest of the agate-line counters. Big space in five newspapers and one magazine (placed through Batten, Barton, Durstine & Osborn) announces the new smoke that "comes clean," thanks to a rolled paper filter in the end of the cigarette. Its advertised merits are a cooler smoke and no tobacco shreds.

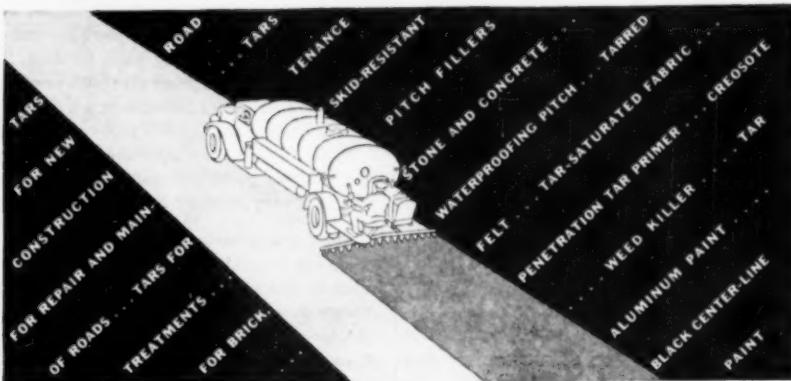
The fact that it is produced by the Brown & Williamson Tobacco Corp. and sells at the slightly advanced price of 15¢ for 20 leads publishers to expect a good deal of advertising support for the brand—when distribution grows.

Sapolio Tests Pan Out

Another New York test campaign which shows promise of growing into a healthy national account is that begun last month for the venerable Sapolio, now available either as a soap or a powder. Forty years ago the best-advertised product in the world, Sapolio has lived of late chiefly in the minds of advertising men, who cited its history as one sad evidence of what happens to a product when advertising drops off.

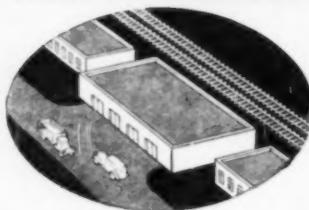
Last week, Enoch Morgan's Sons Co. (through Maxon, Inc.) launched the "Spotless Town Gazette" over WJZ for the benefit of New York housewives listening in on Friday mornings. Soon, publishers hope, the famous old jingles, revamped and brought up to modern times, will be a familiar sight in the advertising columns.

KOPPERS AND THE Road Construction INDUSTRY



Koppers supplies many millions of gallons of Tarmac for the construction, maintenance and repair of primary and secondary highways and city streets. It also supplies many other products to the highway industry. It produces coal tar pitch and tar-saturated felt and fabric for waterproofing bridges, tunnels, retaining walls and underpasses; pitch fillers for concrete and brick highways; tar for mastic cushions under brick streets; creosote for the preservation of guard rails, poles, wooden bridges, pilings, culverts and other woodwork; and tar-base aluminum and black paints.

KOPPERS PRODUCTS CO.
PITTSBURGH, PENNSYLVANIA



1. Tarmac for Roads
2. Roofing Materials.
3. Waterproofing Materials
4. Bituminous Paints
5. Creosote for Wood Preservation
6. Light Oils
7. Tar Acids

"Spud" Agency Quits

Resigns account because it can't agree on advertising policies with Ery Kehaya.

AT the Roosevelt Grill in New York, the Palmer House Bar in Chicago, and wherever else advertising men gather to eat and drink, there was some juicy news last week to spice the routine chatter about accounts lost and gained. The Spud cigarette account was on the loose.

The principal interest centered not in where the account was going, but in where it had come from. And why. For when an advertising agency voluntarily surrenders an account which it has built up entirely itself and for which it has won respect throughout the trade, advertising men can't help being interested. It's a "man bites dog" kind of story.

Back in 1926, Otis Kenyon (of Kenyon & Eckhardt, Inc.) had a cold. He smoked his first mentholated cigarette, a little-known brand called Spud. Contemplatively, he smoked another, and began to reflect on merchandising possibilities. Eventually a new gadget was built—a smoking machine to measure the temperature of cigarette smoke.

Then Kenyon went to Col. Woodward Fitch Axton of the Axton-Fisher Tobacco Co. in Louisville and offered his gadget and his idea—the idea that Spud was something more than a glorified cubeb, that America could be sold on the idea of being "mouth happy" with Spuds.

Up to Fifth Place

The colonel was convinced; Kenyon & Eckhardt went to work. Never using big space (an annual advertising appropriation of \$500,000 won't buy a whole lot), they built Spud up until in the depression years it ranked as the fifth most popular cigarette in America, netting its owners an average \$1,500,000 profit a year. Simple pictures of a bucket of water, fresh-drawn from a well, of a field of daisies or a snow-covered hillside, told the story of Spud's coolness, almost without accompanying text. Spud ads became classics of the craft.

Then two things happened. Other mentholated brands with bigger advertising appropriations entered the field. Col. Axton died, and control of the company passed into the hands of Ery Kehaya and the Standard Commercial Tobacco Co. (BW—Dec 7 35, p12).

Last week, Kenyon & Eckhardt wrote finis to a pioneer job by resigning the Spud account. The consensus of trade gossip was that the new principals had their own ideas about advertising—new copy themes to suggest, new media to recommend. Unable to see eye-to-eye with the client on all the new policies, the agency bowed itself out.



Complaint About R & M Motor

A woman sent for the service man. The motor on her new washing machine wouldn't run. Service man called—the motor was running. She just couldn't hear it. (Actual case.)

It was an R & M motor—and we do build them quiet, for a fact! Quiet motors are long-lived and efficient, too.

That is why we supply them to so many of the best manufacturers of electrical appliances for homes, offices, stores, and factories.

You may not be able to hear an R & M motor, but you can see the nameplate. Look for it. It means that the appliance you are considering is *sound at heart*.

Robbins & Myers

Founded 1878

Robbins & Myers
Inc.
Springfield, Ohio



The Robbins & Myers Co.
Ltd.
Brantford, Ont.

FANS • MOTORS • HAND AND ELECTRIC HOISTS AND CRANES

... mirroring good taste in the graphic arts

Just Published

GRAPHIC DESIGN

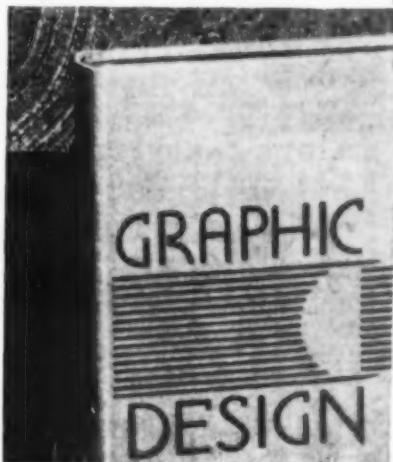
A Library of Old and New Masters
in the Graphic Arts

By

LEON FRIEND AND JOSEPH HEFTER
407 pages, 7 1/4 x 10 1/4, 800 illustrations, \$7.50

THIS comprehensive survey discusses in text and illustration the history, development and present-day status of the Graphic Arts. It covers Lettering, Printing, Reproduction, Photography, Book Design, Advertising Art, and the Poster. A concluding chapter on Graphic Arts Education describes present-day educational methods. The book is essentially an encyclopedia—a record—a source book of ideas—of graphic art in its more familiar branches. There are more than 800 illustrations, including examples of the best work of the leading artists and designers of Europe and America.

See it 10 days on approval.
Send the coupon.



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McGraw-Hill Book Co., Inc., 330 W. 42d St., N.Y.C.
Send me Friend and Hefter—Graphic Design, for 10 days examination on approval. In 10 days I will send \$7.50 plus few cents postage, or return book postpaid. (Postage paid on orders accompanied by remittance.)

Name _____

Address _____

City and State _____

Position _____

Company _____ BW 4-25-36
(Books sent on approval in U. S. and Canada only.)

Free

to corporation executives while the supply lasts. A document on co-operation of competitors that has meant profits for several industries.

A request from you will bring it —without obligation.

Box 227, *Business Week*
330 W. 42nd St., New York City

RESEARCH PAYS DIVIDENDS!

How to do what you want to do—how to do better the things you are doing? The answer to these questions lies with the research engineer.

Since 1891 we have handled chemical research and development work for many concerns in many industries.

We should like to consult with you if you can use to advantage the services of a fully equipped, long-established organization of engineers skilled in developing new processes and improving methods and products.

SAMUEL P. SADTLER & SON, INC.
Consulting and Analytical Chemists
210 South 13th St., Philadelphia, Pa.

INVINCIBLE VACUUM CLEANER MFG CO.
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BUSINESS WEEK
330 W. 42nd St., New York City

American Loan to China?

That's one probable result of negotiations under way in Washington between our Treasury and Chinese financial representatives.

IMPORTANT negotiations are under way in Washington between Treasury officials and representatives of the highest financial circles in China. No details have been divulged officially beyond the announcement that the Bank of China would establish an agency in New York.

However, *Business Week* has assembled information in both Washington and New York which indicates that the conferences will be of greater importance than is generally realized.

In the first place, the New York agency of the bank is not the first to be established outside China. London and Tokyo already have branch offices, and one is being established in Malaya.

Since the bulk of the commercial transactions covering Chinese business is handled by two Wall Street banks, it is thought in Washington that the new agency for the Chinese bank will be the only one established in this country. It will officially represent the Chinese government in all financial matters, and will be qualified to deal both with Treasury officials and with American commercial banks.

The American silver-buying program finished off the job of unsettling China's business routine which was started in 1931 when the leading commercial nations began to abandon the gold standard. China, working on a silver basis, found itself at a competitive disadvantage, which turned into a real crisis when the United States boosted the price of silver to three times its depression low.

Silver the Cause

Silver is behind the present negotiations and the creation of the American agency of the Bank of China. The branch is to be the depository for silver collateral for a dollar loan. This is only gossip so far, but the negotiations with the Chinese have had as an objective the working out of some form of cooperation.

The Chinese want us to stop buying Chinese silver. The United States is considering an agreement under which it will buy no silver in China or of evident Chinese origin. Instead, a loan will be made to China. An adequate amount of silver to serve as collateral will be kept in the New York agency of the Bank of China.

The agency will also serve, it is believed, as the depository of a stabilization fund which will be used to peg the rate of the Chinese yuan to the dollar.

The conversations with China are supposed to have been begun on the suggestion of Sen. Pittman. In the beginning of the silver purchase program, our Treas-

ury said nothing to the Chinese about its plans, with the result that much more demoralization took place in Chinese business than was necessary. Sen. Pittman is reported to have insisted on these negotiations when this unfavorable effect on China became apparent.

There is some worry in Washington over the volume of new Chinese business which is going to other countries than the United States. This is particularly true of the rail supply orders which have been going to Great Britain under the special terms of the British Boxer indemnity fund agreement.

Apparently our Export-Import Bank is trying to offset this, but the State Department seems anxious to get American capital out of China rather than do anything to encourage the movement of more American capital to promote industrialization in China.

No Objections Expected

Though China's condition is unsettled, there would probably be no strong objection in this country to the granting of a credit to China, provided it had to be spent in this country and were backed by silver collateral.

Reactions to the negotiations and their implications vary. Japan, naturally, is not pleased with any move which brings China's currency under the influence of a Western power. The Soviet Union is pleased with even this small indication of American support for China.

There is no evidence yet that the negotiations include Britain. It will not surprise business if the United States acts independently of Britain, as what the United States does in the present negotiations may give it an edge over Britain in the Far Eastern monetary and commercial situation.

Cool Canadian Trains

Both Dominion railroads will compete with U. S. roads by means of air-conditioning.

OTTAWA (*Business Week* Bureau)—Canadian railroads will compete with United States railroads this summer in international traffic between the East and Chicago, and also in transcontinental traffic, by offering travelers air-conditioned comfort.

Both the Canadian Pacific and the Canadian National are rushing air-conditioning installations on sleeping and parlor cars. A number of air-conditioned cars are already in service, and

crack trains will be fairly well equipped before hot weather.

The railroads are doing the conversion work in their own shops in Montreal, and are benefiting by the experience of United States roads in selecting types of equipment. Dust as well as excessive temperatures will be practically eliminated and, on some of the cars, passengers will be able to regulate temperatures to suit themselves in their own berths or compartments.

Not This Year

Canadian railroads cannot carry modernization as far as streamlining, at least this year. The Canadian National's continuing annual deficit of \$50,000,000 or \$60,000,000, left for the federal treasury to handle, is a psychological as well as a financial hazard. Big taxpayers would rebel at expenditures for streamlined trains for the Canadian National. And the government's scheme of enforced cooperation between the two lines will not permit the Canadian Pacific to move alone.

The demands of Canadian business for lower taxation, and of outside investors (in Great Britain and the United States) for the maintenance of Canadian credit, are increasingly coupled with concern for the railroad situation.

Unusual regulatory powers have been placed in the hands of the Prime Minister, and there is strong pressure just now to eliminate the Canadian National's deficits. This implies amalgamation of the two lines.

E. W. Beatty, president of the Canadian Pacific, is still working on his campaign for joint operation. He insists it is the solution of the federal financial problem as well as the difficulties of the railroads. Canadian National's board of trustees insist that business revival will bring sufficient traffic to keep both lines busy.

Merger Cold-Shouldered

The government has done nothing to meet these demands except to put the Canadian National again more directly under its control. Amalgamation proposals make little progress. Championship of amalgamation is still regarded as political suicide by both political parties. Cooperation for economy between the two roads, tried now for three years, shows annual savings of merely a few million dollars.

Only furnace men and caretakers occupy the several-million-dollar Canadian National hotel at Vancouver. It was finished just as the depression started. Another big new Canadian National hotel, at Saskatoon, was not allowed to open until last fall, when the government thought that probable earnings warranted the risk. The outlook for the Vancouver hotel is not bright, even if tourist business reaches boom size in the Far West.



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This is a distinct advantage in all installations where convenient, positive speed-change control is required to regulate the volume of air, amount of refrigeration, conveyor travel and other processing and tool speed changes.

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TESTED SELLING IDEAS

by C. B. Larrabee
Managing Editor, Printers' Ink Publications

and H. W. Marks
Manager, Readers' Service Department, Printers' Ink Publications, 368 pages, 6x9, \$3.50

HERE into a practical, workable, factual book have packed 225 actual sales ideas that have worked sales miracles for representative firms under unusually trying conditions.

The proper use of this book would provide you with a systematic plan for securing those two new sales ideas you need for your company. It would bring you in concise form, a remarkable report—a priceless compilation—of plans that have worked for others. Suppose, for instance, that you want to add a new fillip of interest to your company's plan of educating retailers. You will refer to the index heading "Retailer—Education" in this book and will find twelve references to twelve specific plans. Perhaps you are thinking of a new sampling plan. By referring to the "Sampling" index heading you will find fifteen citations.

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France Will Turn to the Left

But the Common Front may break in victory. Meanwhile, franc devaluation seems inevitable, though new discount plan may postpone it.

PARIS (Business Week Bureau)—France is in the midst of one of the most important general election campaigns in its history.

First balloting comes on Apr. 26, but with an average of eight candidates for each of the 600 seats in the Chamber of Deputies, Paris expects that many districts will find it necessary to cast a second ballot on May 3 to give one candidate a clear majority.

Though the country this year is split sharply into two blocs (extreme radicals or extreme conservatives), and in spite of the fact that candidates are for the first time using the radio freely for campaign appeals, the nation is calm.

There is one main issue in the campaign: fascism.

Supporting the demand for a firm, dictatorial government which will defend private initiative against government intervention in business, and carry out a strongly nationalistic foreign policy are the parties of the Right. They have the backing of the upper classes and of big industrial interests. In the last election, candidates in this group won about 13% of the votes.

These groups include the "200 families" which the Socialists declare control the whole country. They are opposed to nationalization of even the munitions industry. They refuse to consider bank nationalization. Because of the similarity of aims, the Right parties are loosely grouped by the pub-

lic with such organizations as the *Croix de Feu*, and *Jeunesse Patriotes*. The entire Right is not fascist, however. Many supporters defend anti-parliamentary organizations merely as a check on radicalism both among the workers and in parliament.

Opposing these groups are the Left wing parties which, in France, range from the Communists through seven or eight Socialist groups, the last little more radical than the liberals in England or the average Democrat in the United States. Representatives of these parties made up more than half the membership of the retiring Chamber. In the last election (1932), they polled nearly 60% of the popular vote, but they have never been able to work together, and every cabinet since the last election has drawn an important part of its support from the Right and Center.

After the serious riots in Paris early in 1934, the radical parties made a fresh effort to balk fascism by uniting in what they called the Common Front. This new group included Communists, Socialists, and Radical Socialists (the most conservative of all in spite of their name, and actually the largest party in parliament).

It has taken these diverse parties two years to form even a loose combination in which they can cooperate effectively. Even now, there are breaches of opinion which threaten sporadically to break up the Common Front. Nothing but



WIDE CHOICE—French voters go to the polls April 26 and May 3 to choose their Chamber of Deputies from an enormous list of office-seekers—between four and five thousand candidates for the 600-odd seats. The parties number four on the Right, six in the Center, nine on the Left, and range from Royalists to Communists. This picture shows a typical Communist poster, with Hitler holding a knife between his teeth, and a warning inscription: "Against this—vote Communist!"

the grim realization that divided they are helpless before the fascist leagues keeps them together.

First accomplishment of the Common Front was to force parliament to disarm the fascist organizations, and otherwise limit their powers.

Next was to win the support of France's two great labor unions.

It was only last January that Communists and Socialists buried their most cantankerous differences and agreed on a moderate program which had the support of the two groups and drew many followers from the Radical Socialists.

Main planks in the compromise platform are: (1) Defend democratic government and individual liberty; (2) oppose deflation; (3) destroy the economic and financial "oligarchy" which now rules France by nationalizing the Bank of France and key industries; and (4) support collective security.

What It Means

Surveying the election outcome from Paris 10 days before final balloting, it seems certain that the Left, or Common Front, will unquestionably be victor. There will be no landslide; the Communists will probably make the biggest gains, and at the expense of the middle parties which have taken no side in this sharply-drawn campaign. Industrial suburbs of Paris and the great manufacturing towns of the north will probably account for gains of 30 seats by Left parties.

What is a Left victory going to mean to France and to world business?

This will remain a question until fall. Twice in recent elections, the radical parties have returned a majority to parliament. In neither case have they been able to work together. There is no prospect that they will cooperate any better this time. Certainly a strengthened Communist representation is not likely to be conciliatory when moderates try to curb their program. The Common Front, after all, has put up no candidates as such; certain groups of parties have simply promised to cooperate during an election campaign. If they fail to cooperate again, France will once more be forced to fall back on a coalition government. This inevitably will revive the fascist leagues; another clash such as the riots of 1934 would be prolonged and far more serious.

Fate of the France

Two problems above all others demand immediate action by whatever government comes into power. The first is definite action to stimulate business recovery, and revive confidence in the government and in the franc. The second is the need for an aggressive, long-range foreign policy. It requires tactful handling of the German and Italian questions, and new efforts to come to an understanding with Great Britain.

Ultimate franc devaluation seems inevitable, no matter who comes to power, but the new practice by the Bank of France of discounting Treasury bills more freely may provide sufficient inflation of credit to postpone outright devaluation for a few months longer.

20 Witty Ads

They're published every day by Paris newspaper, as part of group advertising.

PARIS (Business Week Bureau)—When funds run low, people turn to cooperative effort.

Group advertising made considerable progress in the United States during the depression (BW—Dec 7 '35, p13). France picked up the idea several years ago, and there have been campaigns featuring sugar, leather, and diamonds with no brand identification.

A few days ago the leading French evening newspaper, *Le Temps*, initiated a new type of group advertising, based on the idea that "wit is a form of capital which never depreciates." Advertisers were invited to submit a witty observation concerning their trade or industry which could be run as one of a group of 20 appearing each evening as one big advertisement in *Le Temps*. Beneath the statement the name of the company is published in large type.

Everybody Likes It

The public likes this stunt; so do the advertisers. Printers, druggists, jewelers, night club operators, laundries, and manufacturers of everything from raincoats to underwear are after space in the new ads. Not all the catch lines can be readily translated into English, but here are a few that have been popular.

A powder and rouge manufacturer: "Every woman carries in her handbag . . . a few years less!"

Printers: "Every mediocre creation begets a public penalty. Bad plays empty the theatres; poor acting is hissed; bad advertising publications find their way to the waste-paper basket."

A dentifrice manufacturer: "A fool says to a woman that she has pretty teeth; a man of wit makes her laugh."

A raincoat manufacturer: "Everyone finds his master on earth; water, which triumphs over fire, retreats before rubber."

A floor polish manufacturer: "Virtue never needs a shine."

An aspirin manufacturer: "Nothing is more widely distributed than pain and taxation. But it is easier to get rid of the former than the latter."

A manufacturer of lubricating oil: "Points of friction wear out friendship as well as the hardest steel."

A watchmaker: "Women are slow watches after twenty-five."

1000 BUSINESSES proved this for YOU!

THE Egry Speed-Feed is only a few years old. Yet so general is its acceptance and so universal its use in businesses of all types and sizes, that it has become an indispensable business aid.

Attached in an instant, the Egry Speed-Feed converts any typewriter into a billing machine using Egry Continuous Forms. As quickly detached, your typewriter is again a correspondence machine. This dual performance is accomplished without any change in typewriter construction or operation.

Saves its cost many times by increasing the output of typed multiple copy forms 50% and more. Eliminates the use of pre-inserted (one time) carbons and other types of forms that require manual interleaving or removing of carbons. The Egry Speed-Feed accomplishes all this automatically.

Send for complete Speed-Feed details. Demonstrations arranged in your own office without cost or obligation. Use the coupon.



EGRY SPEED-FEED

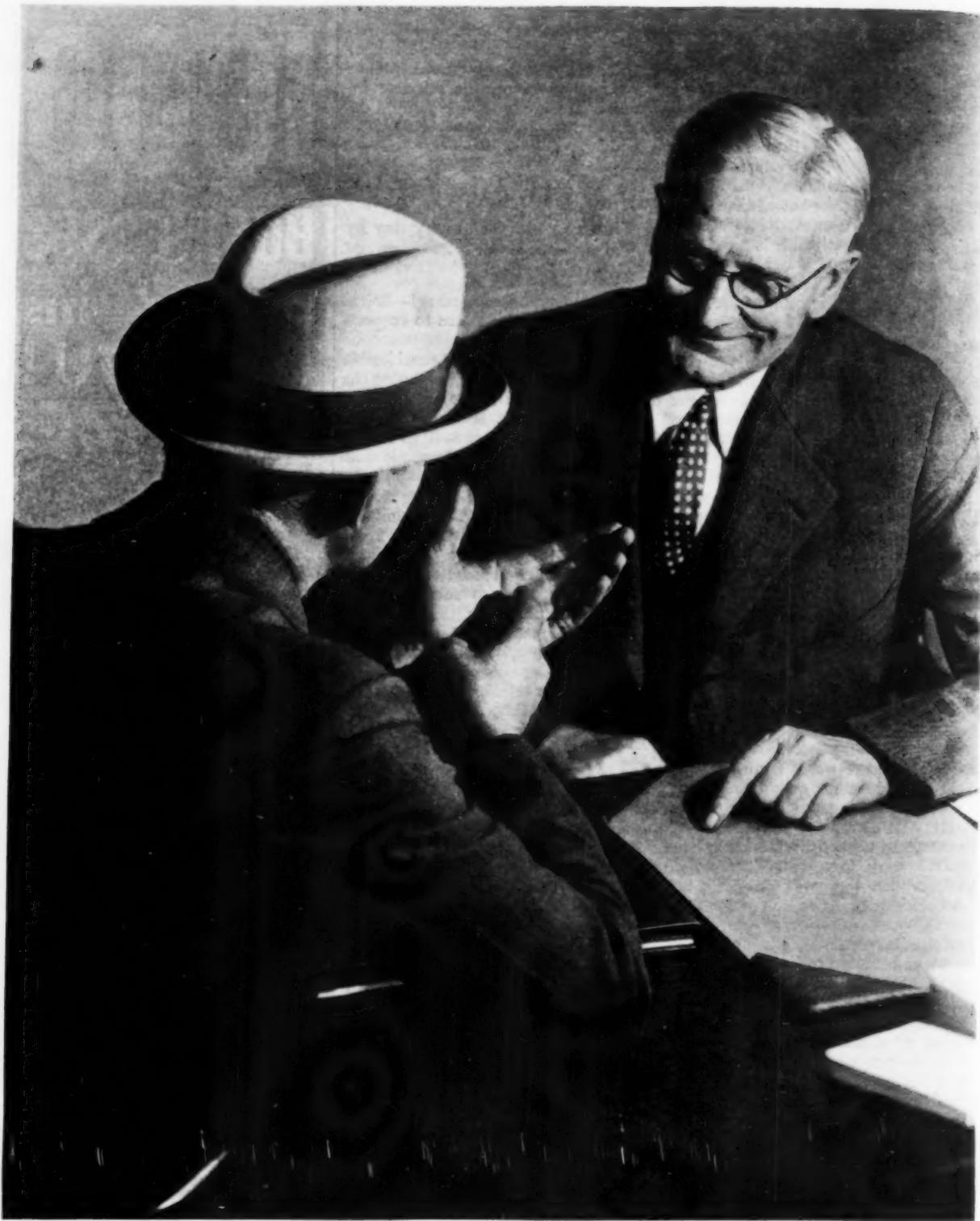
THE EGRY REGISTER CO., Dayton, Ohio BW-425

Please send complete information on the Egry Speed-Feed System designed for my business.

Name.....

Address.....

City..... State.....



*"Here's one thing to remember about this year's buying—
there probably won't be much of a summer slump."*

"That's true. I notice Business Week says the automobile people are expecting orders to hold up right through the summer. There's bonus money coming, you know, and farmers will still be getting cash on their crops."

Business Abroad

Canada plans further trade bargains with United States. French business begins to revive in spite of critical election issues. Britain boosts taxes.

FRESH British threats of intensifying sanctions are face-saving maneuvers. The Italo-Ethiopian affair is all wiped up except for final details, and Mussolini has come out on top. Both Britain and France will continue to make sufficient concessions to Europe's "have nots" (BW—Dec 28 '35, p28) to avoid trouble now. Peace, in Europe at least, seems assured for the rest of this year, but every major power is in the rearmament race so as to be prepared for any emergency. Budgets, the order of the day, all reflect increased defense expenditures. The British have set a new pace.

Soviet Union

Russia placed orders with 700 sales representatives who called at Moscow last year.

MOSCOW (Cable)—Contracts for 76% of the Soviet Union's imports were negotiated in Moscow last year, according to information revealed this week. In 1934, only 8% of the incoming goods were ordered from salesmen calling in this country. More than 700 foreign trade representatives came to this city to clinch these orders.

This is in line with the announcement of the Commissariat of Foreign Trade during the year that the Soviets would attempt to cultivate this sort of business with the aim ultimately of closing their purchasing agencies abroad.

No foreign firms have registered in the country yet, and no one has run into difficulty with the government for neglect of this matter. It is thought that the opening of agency offices in Moscow or some other Soviet center will develop naturally as the Soviets make it plain that they want to do business this way.

Better Homes

A few weeks ago government officials announced the end of the subsidy system for heavy industries. In most cases, the industries are now able to stand on their own legs.

This week the government made another move which shows that industry is making rapid progress. Prices for all goods produced in every factory are fixed by the government. For the most part they are cut as low as possible without running the business into the red. There is a safety margin, however, and the Soviets have decreed now that this "profit" must be used for the advantage of the workers. Half of the profit will be used immediately to carry out a plan for building better homes for workers. The drive for greater efficiency will continue, with prizes to the most efficient workers.

ernor of the Bank of England or by an Advisory Committee matters little. It is a ban and that ruins the old free market for capital.

The City knows very well that there will be no British capital for any borrower who is not credit worthy. It also knows that the ban is designed to achieve two ends: to keep money cheap for Treasury purposes and to permit the capital market in London to be used as a factor in politico-economic bargains. The Dominions and the members of the "sterling bloc" will find the ban lifted as and when it is desirable that the government throw a weight into the scale of new trade agreements and bargains. But other applicants will find the Advisory Committee as adamant as was the old dual control.

"Polities Are Corrupt"

Officially the Committee will have an office in the City where Chairman Lord Kennet (formerly Sir Hilton Young, ex-Financial Secretary to the Treasury and ex-Editor of the *Financial News*) will sit with his colleagues to consider applications. He is a director of the Southern Railway and, before going to the House of Lords, was confidently tipped for the Chancellorship of the Exchequer in some future government. If Baldwin resigns, Kennet may come into a new cabinet, but he hates politics, which he finds futile and corrupt.

Queen Mary Pleases

Trials of the *Queen Mary* have excited nationwide gratification. There is fresh anticipation this week that a sister ship will be started soon, though most people are unable to see economic justification for the idea in spite of the gradual revival of transatlantic travel.

With the approach of summer and the tremendous interest in travel roused by the approaching maiden voyage of the *Queen Mary*, attention is focussing on plans to stimulate the tourist business, always an important item of "invisible" income in Britain. Hotel service is coming under the scrutiny of the government and plans are under foot to rationalize services.

Cross-Channel Pullmans

Another modernization move is the plan of the Southern Railway and the Wagon-Lits Co. to institute through-Pullman service to the Continent. Train ferries are already under construction which will carry express trains across the Channel from Dover to Dunkirk. According to schedules recently announced, the trains (which will be of the de luxe "Blue Train" variety familiar in Europe) will leave London daily at 9:20 p.m., and arrive in Paris the following morning at 8:55. Traveling in the other direction, they will leave Paris at 9:30 p.m. Trains will carry both first and second class sleeping cars.

France

Business revival gains momentum behind impetus of defense preparations and better prices for farm products. Credit inflation is under way.

PARIS (Wireless) — Tremendous issues are at stake in the elections which will be held next Sunday and on May 3 (page 34), but the campaign has been orderly.

Economic gains which began to appear in France during the last quarter of 1935 have been picking up momentum during the first four months of this year. There are evidences of it in half a dozen business indicators. Unemployment is 3% below the figure for last year. Returns from the sales tax are greater. Railway earnings are larger. Carloadings have increased. The heavy industries are more active. Automobile production is gaining rapidly. The rubber, leather, and paper industries report increasing business.

Why Business Is Better

Two factors are behind this recovery. The first is the government's buying program in carrying out new defense measures. The second, and more significant, is the improved position of the farmers following the gradual but continued rise in the prices for agricultural products.

This rise in prices started last July. It has been gradual but consistent. The index of wholesale prices in France at the end of February stood at 376. This compares with 359 at the end of January, and 342 at the end of February, 1935. While it has helped the farmer, it has again widened the spread between the French and foreign price levels and reacted unfavorably on foreign trade.

The farm machinery market is just now beginning to reflect the improve-

ment in farm buying power. General machinery orders have increased since February, largely on government account. Individual buying remains quiet, because modern second-hand machinery in large quantities has been made available over the last two years through factory liquidations.

Since January, the automobile industry has been doing very well. During March, it became necessary for producers to employ more men and speed up output to keep up with rising retail sales.

Activity in all textile lines is reviving, but cottons show the greatest improvement. Brazilian cotton has been offered freely at relatively low prices. It is believed that high grade Brazilian cotton may be purchased to fill in the gap between the old and the new American crops, but that purchases will probably be under those of a year ago, when Brazilian cotton was very popular.

In the tire industry, production was particularly satisfactory during March, when most of the rubber factories were operating on three shifts. One big manufacturer has brought out a truck tire weighing approximately 26% less than ordinary tires but selling at the same price. How well it will hold up is not yet known, but it has stirred keen interest among competitors.

No Building Activity

Construction is still lagging, is not, in fact, to pick up much as long as interest rates remain high. Machine tool imports, however, are mounting rapidly, and industrial raw material consumption in the last quarter of 1935 was more than 21% greater than in the corresponding period of the previous year. Electricity production is also up.

Following the March-April franc crisis, the latest Bank of France statement reveals two interesting points: (1) the crisis cost the Bank about two billion francs in gold; (2) the Bank is

now more or less prepared to cooperate with the Treasury and rediscount bills much more liberally. In so doing, the Bank opens now, probably 15 months too late, the road to credit inflation and it is quite possible that a new socialistic government will use the proceeds from this credit inflation to postpone as long as possible the devaluation of the currency.

Germany

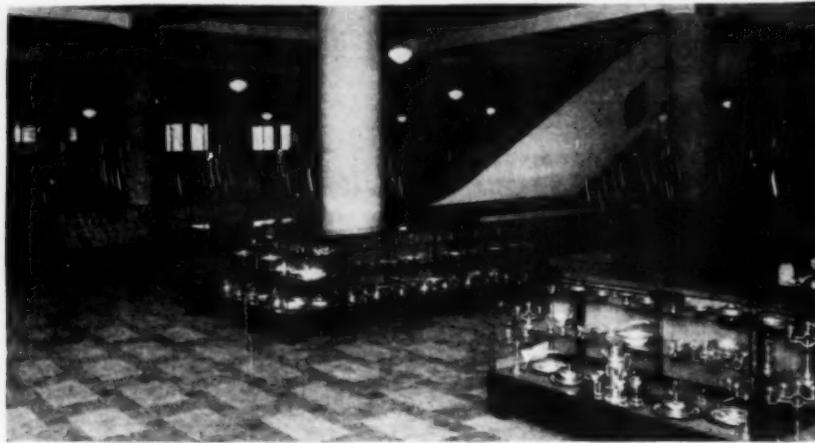
Export subsidy helps German manufacturers to win important Latin American business.

BERLIN (Wireless) — Following many weeks of nervous worry, German business is now settling down to a period of relative calm with some confidence that France and Britain will both be too absorbed with the Ethiopian problem to spare time or energy for Germany.

The improved feeling among business leaders is reflected in the firmer tone on the Bourse, the steady stream of dividend announcements and favorable company reports.

Leaders are also impressed with the newest report of the Institute for Business Research which shows that there has been a slow but steady increase in industrial exports over the last few months, which has caused manufacturers to reemploy 250,000 additional workers to handle the new export business. In spite of this gain, however, only 11% of industrial output is sold in foreign markets, compared with nearly 29% in 1931. It is striking that exports to industrial countries have increased 7%, to undeveloped foreign markets 26%.

Latin America is one of the bright spots. If the Germans have not so far



OTIS' PLACE IN THE SUN—Shanghai's first escalators (and the first in all China) have just been installed by Otis Elevator Co. in the new Sun Department Store. The store is very up-to-date, covers 40,000 sq.ft., was built at a cost of \$1,500,000, and



Business Week
is air-conditioned throughout. There are two escalators, five Otis passenger elevators and one service elevator, all elevators being of the Micro self-leveling type, with power-operated doors. Entrances to the lifts are decorated with Chinese characters.

been forced to reduce their consumption of coffee and if the German textile industry was able in 1935 to draw more than one-fourth of its cotton supplies from Brazil, this is due primarily to the satisfactory operation of clearing agreements with the principal South American states.

During the depression, imports from South America shrank from 1,687 million marks in 1928, to 721 millions in 1930, and to 297 millions in 1933. The tide turned in 1934 when imports rose to 334 millions. In 1935, they jumped to 463 millions.

German exports to South America touched bottom in 1934 when they fell to 216 millions. In 1935, they recovered to 320 millions.

Good Sales in Latin America

In German political and business circles, this development is viewed with particular satisfaction because Latin America represents the only important source of tropical raw materials and foodstuffs where Germany can deal on "equal terms." Most of the countries and territories in Asia and Africa which have these goods to offer are dominated by one of the great "imperialistic" powers of Europe.

The comparatively satisfactory operation of German clearing agreements with South America contrasts with the endless complications and tensions in Germany's intergovernmental clearing agreements with European countries. The greater elasticity of the former compares favorably with the bureaucratic rigidity of the latter. It is carried on either in the form of arrangements between the respective central banks (as in the case of the Argentine) or in the still more flexible form of "ASKI" accounts, or special foreign accounts for inland payments. Under this system the South American exporter can sell his ASKI mark balances to a local importer who is interested in the purchase of German goods (the accounts are usually handled by a bank). Naturally, the exporter, in order to get rid of his marks, is interested that the volume of German imports should be as large as possible.

Subsidized Exports

Some of Germany's competitors, the Germans state, have asserted that by the use of ASKI accounts and similar clearing and barter devices she is exercising "unfair pressure" on South American business interests.

The German answer is that no firm or government bureau can force a South American merchant to make use of ASKI accounts. Moreover, no Brazilian or other exporter will be so foolish as to sell his merchandise against ASKI marks if he can sell it to the United States against good dollars. If, nevertheless, an increasing number of South American exporters are resorting to the

device of ASKI accounts it is because they can secure additional business in this way and because they think that this business is profitable.

Canada

Dominion will make new concessions to United States in adjusted trade agreement. More provinces threaten to default.

OTTAWA—United States industries will benefit by tariff revisions to be made by Finance Minister Charles Dunning in his annual budget, due about May 1 (anniversary of the 1930 Dunning budget which caused defeat of the former Liberal government). The Canadian market also will be opened wider to some British products.

Certain Canadian industries, adversely affected by lowered duties against the United States in the trade treaty, will be compensated by lowered duties on other American goods imported by them. Canadian automobile companies, forced by treaty duty reductions Jan. 1 to lower prices, will get cheaper parts from the United States. Canada imported automobile parts worth \$30,000,000 last year. The Canadian parts plants, which have been endeavoring to consolidate their position, get the short end of the deal. Cheaper cars, which use the greatest percentage of Canadian materials, will benefit least.

Magazines Protest

The treaty wiped out the duty on American magazines which had been imposed about four years ago, and prices in Canada dropped immediately (*Saturday Evening Post* and *Collier's* from 10¢ to 5¢). Canadian publishers claim discrimination against them in this action because there are duties on paper and printing machinery, nearly all of which are imported from the United States. Finally, there is a Canadian sales tax. They will be compensated by a reduction of these duties.

Tariff rates on agricultural machinery from the United States will be reduced.

Duties on gasoline will be cut, probably heavily. Western consumer interests have demanded this for years. The tariff board last fall heard applications for reductions from western provincial governments but has not yet published a report. The principal company to be affected would be Imperial Oil, largely owned by Standard Oil of New Jersey. Some companies will close their refining plants, and import refined gasoline.

About 200 Changes

The Canada-United States treaty lowered Canadian duties on about 700 items. The coming budget will revise the duties under about 200 items, and in the great majority revision will be downward. Furniture and other in-

dustries subjected to greater competition under the treaty have only a small chance of getting any substantial redress in the budget. Benefit to Canadian manufacturers will be in reduced duties on raw materials and semi-manufactured goods rather than in restoration of former protection on their finished products.

United States producers also will have access to the Canadian Tariff Board for purpose of protesting against valuations for duty, dumping duties, and the like.

Preference duties on textiles and other goods from Britain will be lowered. The present Mackenzie King government agrees with British exporters that Bennett drove too hard a bargain with London in 1932. Under the Ottawa agreement Canadian exports to Britain have increased much more rapidly than Canadian imports of British goods. Minister Dunning in his budget will give further adherence to the principle that Empire trade should be promoted by lower duties within the Empire rather than by high duties against foreign goods. His action will be of interim nature, as it is expected Prime Minister King will go to London in the fall to propose revision of the 1932 agreement along the line of that principle.

More Defaults Expected

Another Canadian province may default on debt maturities next month. Premier Pattullo of British Columbia is here demanding federal help in meeting \$3,500,000 of maturities, mostly due in New York, May 15.

Pattullo, like Aberhart of Alberta, is opposed to federal supervision of provincial financing—the condition set up by Federal Finance Minister Dunning for further loans by the Dominion to meet provincial debts. Pattullo will be treated the same as Aberhart; he will have to modify his stand or get no help from Ottawa.

Premier Patterson of Saskatchewan also is here for assistance. He has more than \$2,000,000 coming due May 1. But he is more reasonable about terms and is likely to get a loan.

Loan Council Unpopular

Dunning is seeking a permanent solution of the provincial debt problem. Provinces having backed away from the loan council plan agreed upon in December, he is considering other plans, including refunding of all provincial debts under federal guarantee. Interest rates on these average around 5%. Voluntary refunding would be at about 3%. Provincial debts total between 2 and 3 billion dollars, but in many cases they are secured by such assets as Ontario Hydro Electric Commission, Temiskaming and Northern Ontario Railway and other going enterprises.

Dunning would insist, in any scheme, on some kind of protection for the federal guarantee.

Money and the Markets

Business and finance wait for Senate to make sense of the tax bill. Spring expansion carries on. Commercial and industrial news is good.

BUSINESS and finance are depending on the Senate to make some sense out of the tax bill. Certainly the House left that weird measure in such shape that the tax collector himself probably looks upon it as some indecipherable section of the farm act relating to soil acidity.

Peering through the network of sliding scales and college fractions, it is faintly discerned that new taxes are in the offing, but just what they will be is a question. It is up to the Senate to withdraw the veil. One logical conclusion is that the Treasury is going to get more money from the taxpayer and it is likely to be the corporation and the corporation stockholder who provides most of it. Excise taxes are being given the go-by as too prickly for tender constituents in the grocery stores back home.

reserves (more than three billion dollars) had begun to percolate and things were booming along at a rate that politicians would hesitate to check on their own responsibility.

Also it is calculated that a 50% hoist could be inaugurated without giving in-

No clay feet have yet been discovered on the spring business expansion and finance is well satisfied with the news that industrial and commercial quarters are sending in. New financing volume is quite satisfactory without being sensational and the security markets are proving that the declines of a week ago have not set up any morbidity in morale.

Excess Reserves Huddle

Washington thinks that the new Board of Governors of the Federal Reserve System (a young and vigorous board) is getting ready to hike the reserve requirements of member banks, perhaps 25% or 50%. It is conceded that the board members would like to do it, but thus far they have been in no hurry because there is always a possibility that the results might be more potent than expected.

However, it is claimed now that it would be easier to do at present than at some later time when the huge excess

reserves (more than three billion dollars) had begun to percolate and things were booming along at a rate that politicians would hesitate to check on their own responsibility.

Also it is calculated that a 50% hoist could be inaugurated without giving interest rates an appreciable lift. The Treasury is a little sensitive about interest rates, having a record-breaking public debt on its hands and a keen interest in borrowing more from time to time, not to mention refunding needs.

Later on, if excess reserves caused a speculative boom, the reserve-jumping power of the board might, if it were used, not only clip the boom and make political enemies, but also advance interest rates and increase the Treasury's service load. Hence the feeling that the board is likely to act soon.

There is another angle of pressure for some action now. For a long time the Administration has been using inflation bogey to frighten the country into business recovery. It was never intended that the bogey should have real life in him, but since devaluation of the dollar, excess bank reserves have jumped from \$800,000,000 to \$3,000,000,000 and the time has come when this gargantuan potential supply of credit might actually

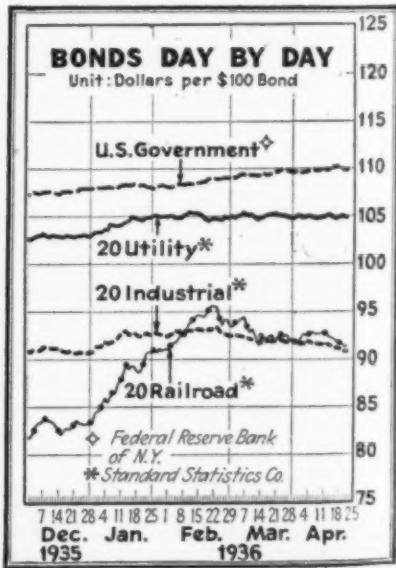
begin to live and breathe fire into the works. Now it is time for another tack —convincing the country that a monetary swing to the right is taking place. That might be a good substitute for the jaded inflation scare, and raising of reserve requirements is one way of making the switch.

Spring Fever

The stock market trade had little consideration for the House passage of the tax bill, nor, for that matter, much serious interest in anything but its own technical affairs. The abortive rise in silver prices aroused some curiosity, and there was a tendency throughout the week to ponder the possibilities of the French elections, but the most serious concern of traders at the moment is the question of recapturing the ground lost in the recent declines and of going on from there to new high plateaus. The urge for this accomplishment is, however, not intense. Sober-minded stock people are quite content to have the market muddle along without too much progress for a little while, in the interests of internal cleanliness, if nothing else.

Unexplained Bearishness

A fair measure of bearishness exists in active market-watching circles, but explanations for it are none too definite. The main props of the 13-month bull market in stocks were easy money and rising business (including increased profits). Neither of these factors has lately been tampered with, nor is any sudden violence to them contemplated. Hence the current dyspepsia in the business is doubtless one of temperament and over-rich diet. Most of the speculators feel that any market which has been going in one direction as long as the present one has, needs a fair swing in the other direction even though its



merits are still as bright and shining as they were in early 1935.

High Hopes in Grain

The grain trade warriors have lately displayed every sign of picking up a hot trail. Volume of trading in grain futures, unmindful of the threatened commodity exchange control legislation, has received an enormous boost from the almost complete absence of April showers in a sizable portion of the winter wheat belt. Drought is rearing its ugly head once more, winter wheat estimates are being hauled down, and the trade is agog for bull possibilities.

The real gamble has been shifted to the Northwest, where spring wheat is going into the ground. Every degree of decline in winter wheat prospects is a definite spur to more Northwest farmers to get seed in the ground, for there is a possibility that the Northwest this season will benefit from Kansas' misfortune.

Winter wheat, of course, can still make considerable recovery if the weather turns wet, but in the light of recent years' experience scarcely anyone dares hope for the miracle. If the Southwest continues to lose ground, the Dakotas, with the best moisture reserves in a long time, stand to make a killing if they can pull through a normal or better crop, for our great wheat surplus has largely vanished and grain prices this year are likely to be more sensitive to threatened shortages (if world markets permit) than in the past few years.

Heat Off Cumulative Reports

It took the New York Stock Exchange only a month to change its mind on the request made in March that listed companies consider publishing cumulative 12-month earnings reports rather than straight quarterly figures. This week the committee on stock list decided there was altogether too much opposition to the plan, from investors and companies alike.

The exchange had taken the position that reporting by corporations of earnings for the preceding 12 months at quarterly intervals would submerge and blend the experience of the most recent quarter in a longer term picture of the company's welfare; would therefore eliminate the frequently unjustified hullabaloo and excited speculation aroused by publication of a single-quarter report, which might be sensational but which nevertheless might have little true bearing on the basic trend of a company's progress. In a way the move was merely an attempt to make investors take a broader slant at securities.

Protests, however, suggested that the submergence of the individual quarter's experience in the larger background might work just as much harm as good, possibly concealing a bad trend from all those who didn't take the trouble to separate reports and dig up their own cur-

Future Plans of Utility Systems

The requirements of the Public Utility Act of 1935 are causing many utility systems to consider plans for new groupings of properties and the elimination of certain intermediate companies. Such plans frequently require refunding operations, exchanges of securities, sales of new issues, or other steps in which the advice and aid of an investment banking organization may be of great value.

We offer our services in this connection to corporation officials who are considering plans for corporate simplification. We shall also be glad to confer with investors holding securities of public utility companies which are faced with these problems.

Inquiries on either subject may be addressed to any of our principal offices.

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rent information. Thereupon, the exchange tactfully dropped the idea.

Stabilizing Isn't Manipulation

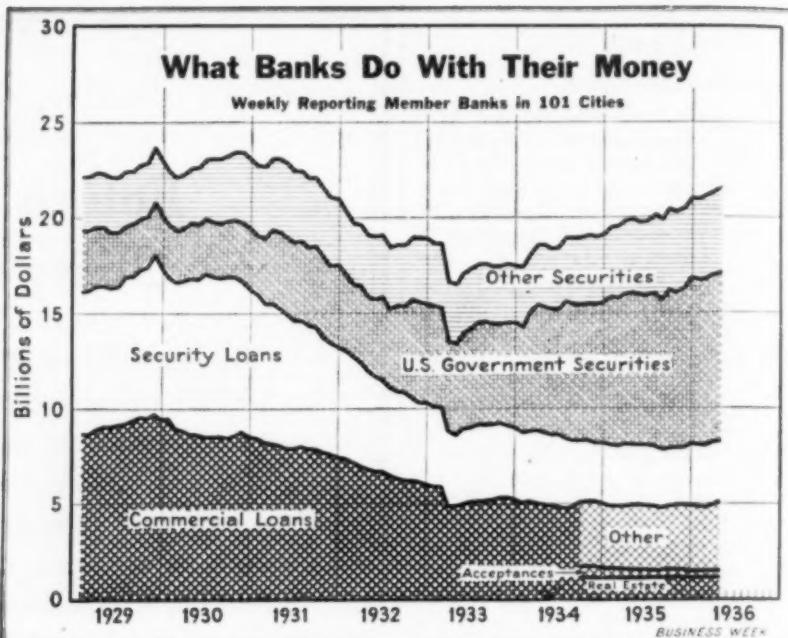
Gradually, the stock market people and their masters, the Securities and Exchange Commission, are getting together to decide just what market manipulation consists of. Last week John J. Burns, general counsel for SEC, ruled that price stabilizing by a syndicate during a distribution period was not exactly illegal, but that the underwriters had better notify the world that they intended to hold the market up to a certain level until the syndicate agreement expired.

The ruling was in answer to an inquiry by the underwriters of a block of common shares of Flintkote Co., and was aimed at settling the problem of whether or not a syndicate would be accused of market manipulation if it supported a stock on an exchange while a new issue of the same stock was being sold by dealers. After Burns' pronouncement, the underwriters took him at his word and simply attached notice to prospectuses that the market for the stock on the New York Curb Exchange would be supported at the offering price level for an indeterminate period.

SEC doesn't like manipulation, but evidently considers the stabilizing operation quite all right. It is a common practice, particularly in bond underwritings, but this is the first case of advance public notice being given.

TVA Makes It Tough

That 111,464 shares of Central Illinois Light Co. 41% preferred stock, soon to reach the effective date of reg-



istration with the Securities and Exchange Commission, is a sad reminder of the Tennessee Valley Authority. Central Illinois is a Commonwealth & Southern operating company and is doing fine. In March the company sold \$7,000,000 of bonds with a 3½% coupon. Now it is getting ready to market \$11,000,000 of 4½% preferred stock. In each case the operation is a refunding one and involves appreciable savings in interest and dividends.

The sad part of it is that while Commonwealth & Southern watches this northern subsidiary sharing in the gen-

eral refunding and interest saving movement that is under way throughout the utility and other fields, it must at the same time watch its Southern trio, Alabama Power, Tennessee Electric Power, and Georgia Power, continue to struggle in the high-money corral simply because TVA has knocked the tar out of the market for these three which are within the dangerous territory.

The Southern three cannot take advantage of current refunding trends because TVA has ruined the market for their securities. If they could duplicate the money rates which Central Illinois is now obtaining through refunding, the unfortunate threesome could save a total of \$5,785,000. In other words, that is the cost of TVA to Commonwealth & Southern and its operating companies, as far as capital costs are concerned. It is more than that when the possible absence of saving on new construction money is figured in.

The Tennessee Valley has provided a dumping ground for probably more government money than any other area, yet the utility industry doubts that there has been greater real advancement in electric power in this area than in any other. Commonwealth & Southern, in a series of tabulations comparing its three operating companies in the TVA area with three similar companies in the northern states, Central Illinois Light, Ohio Edison, and Consumers Power, fails to discover any fundamental benefits to the industry in TVA territory.

There is easily disclosed, however, a real injury—the loss of markets for securities of the three Southern companies, net result of which has been to cut these companies out of current easy money advantages and to force their financial dependence on to the holding company.

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Editorially Speaking—

THE government encourages people on relief to accept private employment, but the director of one of the WPA theater projects recently complained to Equity, the actors' union, that one of his \$24-a-week actors had quit without notice because he had been offered more money elsewhere.

"How much more?" asked Equity. "Out in Hollywood he'll drag down 600 bucks a week."

"Well, in that case," said Equity brightly, "he'll be able to pay us his back dues."

For years Lloyd Lewis, the drama critic of the *Chicago Daily News*, has been turning out good books, most of them dealing with the Civil War. His biography of Sherman is a particularly fine job. And now comes an 18-year-old Missouri farm boy named Lloyd Lewis, who plagiarizes a college president's essay on peace, wins the \$5,000 Cantor award, loses it when his plagiarism is discovered, and by all these proceedings gets vastly more publicity than his able namesake has earned by many years of hard historical research and brilliant writing!

THERE'S a political reason behind the decision of the Mitsui Co., one of the two greatest companies in Japan, to dismiss all its directors who are more than 60 years old. The reason is that a couple of the elderly directors, including Chairman Ikeda, are fanatically opposed by the Fascists, who want to control not only the army and the civil government but business as well.

The Fascists won a sizable victory as a result of their recent assassination of several Cabinet ministers. The new cabinet, despite all assertions to the contrary, is more under the Fascist thumb than Okada's cabinet was. Okada escaped with his life but lost the prime ministry, and now the Fascists are powerful enough to put the skids under the chairman of the great Mitsui firm, whose banking, manufacturing, shipping, and other operations are so vast and ramified as to give it an importance in Japan far greater than any corporation possesses in the United States.

Japanese business and the Japanese people are in for a lot of suffering.

THE broadcasting chains have to keep on their toes to protect themselves from political manipulators. One of the members of the Chicago Park Board, appointed by Mayor Kelly, is James C. Petrillo. The president of the Chicago Federation of Musicians is James C. Petrillo. He got the political office because of his power as a labor leader. In the recent primary campaign, when Mayor Kelly was trying to put over a gubernatorial candidate and consequently

was being denounced as a boss, Mr. Petrillo summoned all band leaders and ordered them to slip a plug for the mayor into their broadcasts. "Maybe you can dedicate a song to him—do something like that," he said.

But they didn't—because the broadcasting chains heard about the order and instantly notified all the band leaders that if they so much as mentioned the mayor or any other politician they would be cut off the air and would never get back.

Incidentally, the mayor took a trouncing in the primary.

UNIQUE advertisement: A St. Paul night club lettered its name on the soles of a local heavyweight's ring shoes. He entered an amateur fight tournament and his back rubbed the rosin five times.

BILLY ROSE, creator of "Jumbo" and other masterpieces of amusement, is now doing a swift and exciting job at Fort Worth, Tex. It's up to him to whip the Fort Worth Frontier Centennial into shape within the next few weeks, and he's been promised \$100,000 for something like 100 days' work. Recently he put a little ad in metropolitan newspapers:

"Wanted: 100 bona-fide noblemen, whose titles stem from either active or extinct monarchies, and who, for adventurous or economic reasons, are willing to serve as dancing partners for the flower of Texas from July 1 to Oct. 15. . . . Bogus counts, masqueraders, and descendants of the Dauphin will get short shrift."

Billy Rose does not write such things himself. He is a Napoleon with several grand marshals, including Richard Maney, the P. G. Wodehouse of press-agentry, who runs a terrible risk of laughing himself to death over his own antics.

OUR Washington Bureau has clipped and sent to us a story from one of the Washington papers about the birthday party that Mrs. Lawrence Wood Robert, wife of the former Assistant Secretary of the Treasury, gave for her white-faced and white-legged horse, St. John the Baptist. Among the guests were another horse and a lot of dogs, including "Hamlet, the Great Dane owned by Mrs. Forbes Morgan, who recently was on trial charged with being a vicious dog." Surely this charge is horribly unfair to Mrs. Morgan.

THE young friend of a friend of a friend of ours recently graduated from college and applied to a publisher for a job. "Quote five consecutive lines from any work of Shakespeare," the publisher said, and the y. f. o. a. f. o. a. f. o. a. f. o. o. could not do it and d. n. g. t. j.

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APRIL 25, 1936

Earmark This Money!

In every congressional district there is a widespread and settled conviction that Mr. Hopkins' works program is largely a waste of money. In every district there is a strong preference for heavy works that are really useful and stimulate the building and material industries.

It is because of this conviction and this preference, arising spontaneously in every part of the country, that many Democratic members of Congress have revolted against President Roosevelt's determination that work-relief during the next fiscal year shall be confined to the projects of the Works Progress Administration.

Democratic members of this Congress do not lightly revolt against the President. When he takes a stand and is backed up by his party leaders in Congress, the rank and file can usually think of more profitable things to do than circulating a petition to force a change in his policy. Their election fortunes are tied with his and they want to go along with him whenever possible.

Hence there is all the more significance in the fact that so many of them are not going along with him on his works program, but are insisting that \$700,000,000 of the \$1,500,000,000 work-relief appropriation be earmarked for heavy works, of the type that the Public Works Administration is building. The significance is simply that these numerous congressmen are responding to the demands of their constituents.

People everywhere see federal money wasted on WPA projects that are an insult to the intelligence of the men employed on them. Strong-bodied workers who should be using their muscles on heavy construction are nursing lawns. Ditches of no value are being dug by tailors, accountants, and violinists. Money and human talents are alike being squandered, and among the results are widespread disgust, budget deficits, and business hesitation.

When Mr. Roosevelt contends that WPA projects are preferable to those of PWA because they are smaller, use less material, and require more hand labor, he ignores the fact that they also give less stimulation to the heavy industries and thus entail a smaller amount of private reemployment. For two years PWA has had a cumulative effect on capital goods.

It has stimulated much private construction. The business revival this spring is partly due to PWA. It is impossible for WPA to produce a comparable benefit in industry.

What WPA produces, instead, is a general fear of endless relief costs, mounting deficits, and heavier taxes. There is nothing in this outlook to inspire that business confidence which is essential to a compliance with Mr. Roosevelt's reiterated pleas that men and women be transferred from the relief rolls to the payrolls of private industry.

The President's intention of giving PWA no money at all in the fiscal year beginning July 1 is a warning of unmitigated waste. There is a robust popular support for the demand of many Democratic congressmen that \$700,000,000 of the billion and a half fund be allotted to PWA instead of WPA; and business men throughout the country should act energetically to redouble that support and make it louder, clearer, and more effective in Washington.

236 Pages of Taxes And Perplexities

The mischievousness of the new tax bill is equaled by the absurdity of the circumstances under which it was introduced. A 236-page puzzle is hurriedly patched and pasted together by men who admit they have no idea what it is all about, slapped down on the committee table before Republican members who have been excluded during the patching and pasting, approved by a majority of the committee, and rushed into the House for quick passage by members who, aside from giving it their vote, can only blink and gape at this farrago of incomprehensibilities and carry it home at night to read themselves asleep.

There appears to be no chance of genuine congressional discussion of the tax plan until it is considered by

the Senate, which will probably produce something at least a mite more sensible. The most sensible thing of all would be to let the tax system stay as it is, except for amendments that would make the income tax really effective in the lower brackets, so that the necessary revenue would be drawn from millions of people who at present are not tax-conscious and do not demand economy.

Undistorted View Of Business Today

Business is improving, but it has not reached a new high, and business men should not let superficial factors delude them into thinking so. The way to avoid this is by consulting *Business Week's* Index of Business Activity, which gives a faithful picture of things as they are, regardless of what other indexes may be showing.

Some of these indexes make it appear that business is within a point or two of normal. But such a conclusion is due to two causes that should be clearly understood—first, that the indexes are too heavily weighted with production items, and second, that they give too much consideration to the recent increase in the production of electric power, which was due entirely to unseasonable weather. In a season when electric power normally goes downward, it was forced up because cold weather required the use of an extraordinary amount of current for heating.

Business Week's index is based not merely on production, but on production and trade; and its picture of business conditions is not distorted by ephemeral factors in one branch of production. At present *Business Week's* index is 1.7 points below the 1936 high, which prevailed in early January. That, in turn, was below the peak of late December, when business rose higher than at any other time since the middle of 1931.

Cold weather and the floods hurt business in February and March. The *Business Week* index has been recovering in April and may soon reach a new peak because of expanding construction, the maintenance of steel at a high level, and the increased car loadings that will result from freer spending by industrial and other consumers.

Published weekly by McGraw-Hill Publishing Company, Inc., 330 West 42nd St., New York. Tel. MEdallion 3-0700. Price 20¢. Subscription: \$5.00 a year, \$10 for three years, U. S. A., possessions, and Canada. Other foreign, \$7.50. Cable Code, McGrawhill

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